Austria	Sch30	Indonesia	Rp3900	Pakistan	Rs35
Bahrain	Din1.000	Iran	[illegible]	Philippines	Peso45
Belgium	BFr65	Israel	Shk5.50	Poland	[illegible]
Cyprus	C£1.00	Italy	L2500	Portugal	Esc180
Czech	[illegible]	Jordan	JD1.50	Qatar	QR12.00
Denmark	DKr14	Korea	Won2500	S.Arabia	SR12.00
Egypt	E£4.50	Kuwait	Fils.500	Singapore	S$4.70
Finland	FM10	Lebanon	LL1,250	Spain	Pta200
France	FFr8.00	Lux	LFr60	Sweden	SKr14
Germany	DM3.30	Morocco	MDh11	Switz	SFr3.00
Greece	Dr250	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft162	Nigeria	Naira20	Tunisia	Din1.000
Iceland	IKr180	Norway	NKr15.00	Turkey	L6000
India	Rs29	Oman	OR1.20	UAE	Dh8.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Thursday February 20 1992

D 8523A

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Cautionary tale of Spanish banking
Page 15

World News

Israeli attack on Lebanon after rockets hit town

Israel launched air and artillery attacks on targets in southern Lebanon after an Israeli town was hit by rockets fired across the border by Lebanese militiamen seeking revenge for the killing of Hizbollah leader Sheikh Abbas Musawi.

The fighting, the most intense in the area for years, prompted Israeli prime minister Yitzhak Shamir to warn that Israel was ready to use "all our might" to stop the rocket attacks on its territory. Page 14

UK warned twice about 'supergun'

British intelligence received two warnings about the Iraqi "supergun" project six months before British-made components for the gun were seized, the UK Commons trade and industry select committee heard.

Stephan Kock, former non-executive director of British defence group Astra Holdings, said he had notified the security services in September 1989. Gerald James, then Astra's chairman, and Christopher Gumbley, chief executive, met Ministry of Defence officials on October 26. Page 8

CIS 'doomed'

Ukrainian leaders believe the Commonwealth of Independent States is doomed as an effective long-term force and will have only a "transitional" function in enabling the states of the former Soviet Union to go their own way. Page 2

Germany to cut forces

Germany agreed to restructure its armed forces, cutting overall numbers from 495,000 to 370,000, restricting the call-up, and creating a rapid reaction force. Page 3

Referendum urged

Irish premier Albert Reynolds faces growing pressure to hold a referendum on the "right-to-life" amendment in the constitution invoked this week by the high court to prevent a 14-year-old rape victim from having an abortion in the UK. Page 2

Smoking to stay

A Stuttgart court ruled in a case brought by two non-smokers that state-controlled airline Lufthansa was not legally obliged to ban smoking on its flights.

Princess's meeting

Britain's Princess of Wales flew to Rome for a meeting with Mother Teresa, who has been recovering from heart surgery. A planned meeting in Calcutta last week was cancelled because of the nun's illness.

Russian plea for food

Russia needs a million tonnes of food aid urgently and three times that amount for the rest of 1992, senior Russian aid official Yevgeny Ivanov said. Picture, Page 2

Ten Oscar nominations

The movie Bugsy, starring Warren Beatty, was nominated for 10 Oscar awards including best film, best actor and best supporting actor. Anthony Hopkins was nominated best actor for his performance in The Silence of the Lambs.

Singapore libel appeal

Veteran Singapore opposition politician Joshua Jeyaretnam appealed against a high court order directing him to pay libel damages, costs and interest totalling S$652,000 ($398,000) to former Singapore prime minister Lee Kuan Yew.

Waite speaks to Synod

Freed Beirut hostage Terry Waite addressed the Church of England General Synod in London for the first time after five years in captivity. He received a one-minute standing ovation.

Business Summary

Brussels says road hauliers should pay higher taxes

Road transport companies should be made to pay the full cost of the damage they do to the environment, Mr Karel van Miert, the European Community's transport commissioner, said.

He said increased road taxes would provide more incentive for industry to use other forms of transport, such as the railways, inland waterways and the sea. Page 14

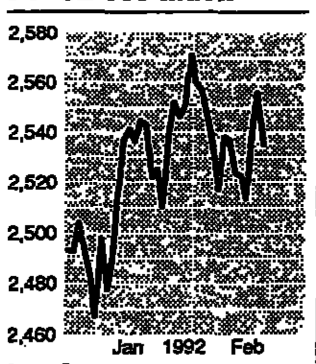
RHONE POULENC, France's largest chemical group, has hinted the state might reduce its 56.9 per cent holding in the company. Page 15

HEWLETT-PACKARD, the US computer and electronic instruments maker, increased first-quarter profits 49 per cent to $306m, against $205m last year. Page 15

NATIONAL BANK of Dubai, largest bank in the United Arab Emirates, said 1991 net profits fell 11.5 per cent to Dh412.8m ($112.5m) from Dh466.3m in 1990. Page 15

LONDON stock market fell on renewed selling of oil and pharmaceutical stocks, triggered by worries over the outlook for Wall Street. The FT-SE Index closed 19.2 down at 2,536.7. Page 23

FT-SE 100 Index



Source: Datastream

UK GOVERNMENT announced a £500m package of defence orders, including new trainer aircraft, helicopters and missiles for the RAF. Page 8, British Aerospace results. Page 15; Lex, Page 14; Details, Page 21

JAPAN'S motor industry emerged for the first time last year with the highest gross hourly wage rates among the world's carmakers. Page 4

HONG KONG subsidiary of Bank of Credit and Commerce International is almost certain to go into liquidation after the collapse of negotiations between the receiver and a potential buyer. Page 4

TELE-COMMUNICATIONS Inc, US cable TV operator, has agreed to sell the United Artists cinema chain to a management buyout, backed by Merrill Lynch Capital Partners, for about $680m. Page 16

NORSK DATA, troubled Norwegian mini-computer group, made a loss of NKr810m ($125.6m) for 1991, against a deficit last time of NKr134m. Page 16

OCCIDENTAL Petroleum, US oil group, is selling up to half its 48 per cent stake in Canadian subsidiary Canoxy in an effort to reduce debts. Page 17

BRIERLEY Investments and Rossington Investments, both controlled by New Zealand entrepreneur Sir Ron Brierley, launched a A$127m ($54.6m) hostile bid for Australian Consolidated Investments (ACIL), formerly Bell Resources. Page 17

HONEYWELL, US controls group, reported fourth-quarter net income of $102.6m, against $109.2m a year earlier, in spite of the impact of the US recession. Page 17

OWNERS ABROAD, UK's second biggest package tour company, more than doubled full-year pre-tax profits from £15.3m ($26.8m) to £31.6m. Page 20

Right-wing rival's performance puts US president on defensive

Bush promises election battle

By George Graham in Washington and Lionel Barber in Manchester, New Hampshire

PRESIDENT George Bush took his re-election campaign to the south yesterday in a bid to restore his flagging electoral fortunes, promising a no-holds-barred battle against Mr Patrick Buchanan, his rightwing Republican challenger.

Mr Buchanan's unexpectedly strong performance in Tuesday's New Hampshire primary is a triumph for the television commentator whose campaign successfully tapped widespread discontent over Mr Bush's handling of the US economy.

The size of the protest vote against the president embarrassed Mr Bush's supporters and elated Democrats, who now believe they have a strong chance of defeating him in November's election.

Mr Bush said he had still scored a "good victory" with 58 per cent of the Republican vote, against Mr Buchanan's 40 per cent.

"I'm not saying I wouldn't have liked to do better, but I'm satisfied with the results, and now we're down here and we're going to take this guy on in every state," he said on a campaigning visit to Tennessee.

Although Mr Buchanan is not expected to endanger Mr Bush's chances of winning his party's nomination – especially as several states have refused to allow him onto the primary ballot – he came closer to the incumbent than any challenger since Mr Ronald Reagan startled President Gerald Ford in 1976.

Republicans now fear that he could split the party, damaging its chances in November's election.

Mr Bush campaigned for only four days in New Hampshire, but he will step up his pace with several trips to the southern states, which are the critical battleground for a series of primaries over the next three weeks. This culminates in the Super Tuesday contest on March 10, when 11 states will cast their votes.

After yesterday's visit to Tennessee Mr Bush will fly tomorrow to South Carolina, where the March 7 primary will be the first to pit him against Mr David Duke, the Louisiana former Ku Klux Klansman.

Bush has attempted to minimise the significance of Mr Buchanan's strong showing in New Hampshire as a protest vote from a state that has been severely hurt by recession. Bush advisers said that New Hampshire would prove a high-water mark for the Buchanan campaign.

But Mr Buchanan said yesterday his relative success in New Hampshire had given him the momentum to take the Republican nomination away from Mr Bush.

"If an incumbent president with his resources and his machinery and the White House and the entire establish-
Continued on Page 14

High hopes: a triumphant Buchanan who has been promised a no-holds-barred battle for Republican voters by Bush

Democratic campaigners turn to broader canvas, Page 6

Battle for the soul; Editorial Comment, Page 12

Nikkei falls fearing Y20bn Sony loss

By Steven Butler in Tokyo

SONY, the Japanese electronics group, surprised the markets yesterday when it warned it would lose Y20bn ($156m) in the final quarter of its financial year which ends next month.

Sony Corporation, the parent company, also expects to report a full-year operating loss of Y20bn, its first loss since listing on the Tokyo Stock Exchange in 1958.

News of the forecast loss prompted widespread gloom on the Tokyo exchange, where prices retreated to the lowest level since October 1990 amid fears of a collapse in consumer spending in Japan. The Nikkei index fell by 253.73 to close at 20,618.80, while Sony shares closed Y160 lower at Y4,000.

Many economists have been counting on continued strong consumer spending to keep the Japanese economy from falling into recession. Sony said yesterday, however, that sales of audio visual equipment in Japan had fallen by 20 per cent in January compared to a year ago.

Sony's poor results are also a broader reflection of troubles facing the consumer electronics industry, which is suffering from a lack of new blockbuster products. Traditional audio visual markets where Sony has been strong have been saturated with electronic equipment, such as video recorders and stereo equipment.

The decline of Japanese consumer electronics sales along with the continued strength of the yen on foreign exchange markets forced Sony to pare its estimates for consolidated operating profits for the year to Y165bn, 45 per cent below the result for 1990-91. In response, Sony planned next year to cut capital spending by Y160bn to Y280bn.

The forecasts were made as Sony announced its third quarter results, in which consolidated pre-tax profits fell by 36 per cent to Y67.1bn. An extraordinary gain of Y62bn from the sale of shares in Sony Music Entertainment boosted after-tax profits in the quarter, up 94 per cent to Y97.2bn.

Sony tried to put on a brave face, pointing out that worldwide sales remained strong, up 10 per cent in the quarter to Y1,125.4bn. But it was apparent that Sony was operating its production lines at full capacity and having to sell products at extremely low margins.

The brightest news in the results was the turnaround of Sony Pictures Entertainment, formerly Columbia Pictures, which Sony purchased in 1989 for Y3.4bn. The release of several hit movies helped give Sony a 20 per cent share of US box office receipts and pushed film revenues up by 65.4 per cent to Y112.6bn in the quarter.

Operating profits in the entertainment business were Y32.69bn, compared to Y47.03bn in Sony's traditional electronic equipment business.

Sony warned that the business environment would become more severe and price competition would be stiff.

Lex, Page 14
Sony's struggles, Page 18
Honda's profits fall, Page 18
World stock markets, Page 34

Greenspan forecasts early US economic recovery

By Michael Prowse in Washington

MR Alan Greenspan, US Federal Reserve chairman, yesterday gave his most upbeat congressional testimony since the summer, predicting an early economic recovery and a fall in inflation to the lowest level for a generation.

He said spending seemed to be rising in some sectors, and the decline in industrial production in January did not appear to have carried over into this month.

He acknowledged that the outlook was "particularly uncertain" and warned that recovery could "peter out" as happened last year. However, he based his prediction of a revival in business activity on structural changes under way for the past two years.

Households and companies had made progress in repairing strained balance sheets, he said. Banks and other lenders had begun to rebuild depleted capital positions. The money supply was growing faster after a long period of stagnation.

Mr Greenspan said the core rate of inflation was also falling rapidly, implying that "within the foreseeable future we will have attained the lowest rates of inflation in a generation".

Economic data released yesterday broadly supported his optimism. The annual rate of consumer price inflation fell to 2.6 per cent in January. The monthly increase in prices was only 0.1 per cent, less than financial markets expected.

A separate report showed a 5.5 per cent jump in housing starts last month, bigger than anticipated. The gain, however, was concentrated in only one region – the mid-west – and in apartment buildings – a volatile sector of the housing market.

Mr Greenspan was delivering testimony in support of the Fed's semi-annual Humphrey-Hawkins monetary report to Congress. The report contains unchanged target ranges for monetary growth. The target for M2, the main measure of broad money, is 2.5-6.5 per cent. In recent years M2 growth has fallen well below the mid-range of the Fed's targets, partly because of the restructuring of banks and other financial
Continued on Page 14

Benefits of economy-wide restructuring, Page 6

Threat of German bank strike grows as talks fail

By Quentin Peel in Bonn

THE THREAT of a strike in the German banking sector loomed closer yesterday after negotiations between employers and the two leading bank trade unions collapsed.

The unions walked out of the talks, saying there was no point in further negotiations because the employers refused to raise their offer above 5 per cent. Both the HBV (commerce, banking and insurance) union and the DAG white-collar workers' union are demanding a pay rise of 10.5 per cent and shorter hours.

The employers' organisation immediately responded by declaring their 5 per cent offer in effect from February 1, regardless of any new wage settlement. They accused the unions of insisting on a settlement of at least 6 per cent "against all the demands of economic reason".

Warning strikes have already been held in banks in several areas in the course of the negotiations, and both unions are now committed to holding a strike ballot.

It is the second time in a month that German industrial relations have been brought to the brink of open conflict, after a steel strike was narrowly averted two weeks ago.

IG Metall, the steelworkers' union, finally settled for an effective pay deal of 6.35 per cent, to the consternation of employers' organisations and the Bundesbank.

The central bank issued a renewed warning about the level of pay settlements in its latest monthly report, urging that the steelworkers' settlement should not be used as a yardstick for other deals.

The unions are much weaker in the banking sector than in most manufacturing industries, with only about 20 per cent of the 430,000-strong workforce as signed-up members.

On the other hand, passions are running high. All the major German banks are expected to report record profits for last year. Although gross wages rose 6 per cent last year – well above the inflation rate at the time – net wages almost certainly shrank as a result of the tax increases levied to pay for unification.

Apart from the banking negotiations, wage talks are also under way in the key public sector, where the OTV union is demanding 9.5 per cent. The government says 2.3m central government, state and local authority workers cannot expect "anything approaching" the 6 per cent they won last year.

The public sector talks reopen in Stuttgart on Friday, with parallel negotiations for civil servants, 240,000 postal workers and 110,000 railway employees.

Meanwhile, the leadership of the textile and clothing workers' union is proposing to submit a single pay demand for its members in both east and west Germany, in spite of the persistent wage differences between the two halves of the country.

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Pressure grows in Ireland for referendum on abortion

Albert Reynolds, the new Irish prime minister, faces pressure to hold a referendum on abortion, after the High Court's decision to prevent a 14-year-old rape victim from ending her pregnancy
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MARKETS

STERLING
New York lunchtime:
$1.755
London:
$1.7515 (1.751)
DM2.885 (same)
FFr9.8125 (9.815)
SFr2.6075 (same)
Y224.75 (224.0)
£ Index 90.7 (90.6)

GOLD
New York Comex Feb
$354.5 (354.7)
London:
$353.3 (352.25)

N SEA OIL (Argus)
Brent 15-day Apr
$17.475 (17.575)

Chief price changes yesterday: Page 15

DOLLAR
New York lunchtime:
DM1.644
FFr5.591
SFr1.48725
Y128.175
London:
DM1.647 (1.648)
FFr5.6025 (5.605)
SFr1.489 (same)
Y128.35 (128.0)
$ index 64.1 (64.2)
Tokyo close:Y128.2

US LUNCHTIME RATES
Fed Funds: 5%
3-mo Treasury Bills:
3.932%
Long Bond:
$100\frac{12}{32}$
yield: 7.913%

STOCK INDICES
FT-SE 100: Yield 4.85
2,536.7 (−19.2)
FT-A All-Share:
1,216.45 (−0.6%)
FT-SE Eurotrack 100:
1140.09 (−3.74)
New York:
DJ Ind. Av.
3,235.47 (+10.74)
S&P Comp
407.92 (+0.54)
Tokyo: Nikkei
20,618.30 (−253.73)

LONDON MONEY
3-month Interbank:
$10\frac{1}{4}$% ($10\frac{3}{16}$%)
Liffe long gilt future:
Mar $97\frac{3}{4}$ (Mar $97\frac{27}{32}$)

EUROPEAN NEWS

G7 common front on Soviet debt weakened

Canada breaks ranks over Ukraine credit

By Chrystia Freeland

CANADA'S decision this week to open a C$50m (£24m) credit line to the Ukraine appears to have weakened the common front on Soviet debt repayment put up by the Group of Seven most powerful industrial countries.

The G7 nations, most vocally Germany, have maintained that Ukraine would be denied promised foreign credit until it agrees to assume "joint and several" responsibility for the Soviet Union's foreign debt together with other former Soviet republics.

Canadian diplomats yesterday confirmed that the credit to Ukraine had been unfrozen on Tuesday. According to Professor Volodymyr Vasylenko, a senior adviser to the Ukrainian government, this followed a proposed compromise by Ukraine's President Leonid Kravchuk in a letter to Mr Brian Mulroney, the Canadian prime minister. In addition to its agreed 16.37 per cent, or US$13.42bn, share of the debt, Ukraine would take responsibility for some of the debts of the smaller republics, Mr Kravchuk wrote.

Mr Oleksandr Savchenko, deputy head of the Ukrainian national bank, estimates that Ukraine could assume about 21.13 per cent, or $17.32bn, of the total debt, with Russia shouldering the remainder.

Yesterday, Mr Savchenko applied for C$5m of the Ottawa credit to pay for the new Ukrainian currency now being printed in Canada. Spokesmen for the Canadian Bank Note Company said yesterday the first shipments of notes would be ready to be flown to Ukraine within two to three weeks.

Fresh from a conference in Brussels, where they reached an agreement with Russia on introducing a new currency, senior Ukrainian officials were hopeful that the G7 and the Paris Club of creditors would soon be reconciled to the Ukrainian position.

"Very slowly they are changing their positions," said Mr Boris Soboliev, deputy minister for foreign economic relations. The Canadian decision could foreshadow a deal at the scheduled March 3 meeting of the Paris Club allowing Ukraine to pay its debt independently, he added.

In tandem with a debt agreement, Ukraine will press for a more equitable division of the Soviet Union's foreign assets. Russia, which has unilaterally taken over all the assets, has ducked the issue. But Ukrainian officials say it will be at the top of the agenda when they host the next Commonwealth of Independent States meeting on March 20.

Meat is available in Moscow, for a price – a price beyond the means of most old people like this elderly woman looking at joints on a street vendor's stall. A majority of Russia's 150m population is living below the poverty line as a result of last month's price liberalisation, Ms Ella Pamfilova, social affairs minister, said yesterday, writes Leyla Boulton. These were people who could not afford the Rbs1,300 ($13) minimum cost of a basket of basic goods.

Meanwhile, Mr Fyodor Prokopov, chairman of the Russian employment committee, announced he was preparing for a surge in unemployment this autumn as further market reforms begin to bite. He expected 7m-8m people, 10 per cent of the workforce, to lose their jobs by the end of the year.

But the government, which is trying to pursue a tough monetary and credit policy, was also able to report some good news. It revalued the fixed "market" rate for the rouble yesterday to Rbs100 from Rbs110 to the dollar after the rouble strengthened for a third week. At Tuesday's weekly currency trading, it fetched Rbs170, down from Rbs210 the previous week, and a high of Rbs230 at the end of January.

Pressure grows in Dublin for new abortion vote

By Tim Coone in Dublin

IRELAND'S new prime minister, Mr Albert Reynolds, faces growing pressure to hold a referendum on the "right-to-life" amendment in the constitution invoked this week by the High Court to prevent a 14-year-old rape victim from having an abortion in the UK.

Acutely embarrassed by the controversy, he yesterday sought all-party support to review Ireland's strict anti-abortion legislation, but appeared to be finding it difficult to reach consensus even within his own Fianna Fail.

He is being pressed by his coalition partners, the Progressive Democrats, to hold a referendum on the 1983 constitutional amendment but many in Fianna Fail are reluctant to face a re-run of that debate which one deputy described as "extremely bitter and divisive".

The opposition Labour Party is recommending that the Law Reform Commission prepare "an urgent report" on the issues raised by the High Court ruling, but this was rejected by the main opposition Fine Gael, whose spokesman said: "That will take years. Action is needed immediately."

Mr Dick Spring, Labour Party leader said: "I do not see how we can have a public policy which says to children – to victims of sexual violence – you have a right to life, but you don't have a right to sanity, to health, to emotional stability, to begin to repair a life that has been shattered."

The Irish constitution can only be amended by a referendum, but if the political parties cannot agree to hold one, it may have to be left to the courts to back the country out of this legal dead-end that puts Irish legislation in contradiction with EC law.

An appeal could now be made to the Supreme Court, but given the closely argued reasoning of the High Court judgment there is no guarantee that its injunction would be overturned. The case would then have to be taken to the European Court of Human Rights. According to one legal expert: "There is a strong case to argue that Ireland is in breach of Community law, by preventing the free movement of its nationals within the EC." The girl's family has given no indication that it intends to appeal, however.

The politicians fear that a referendum would unleash the intimidating power of the Roman Catholic church and its pro-life lobby group, the Society for the Protection of the Unborn Child. The society was instrumental in 1983 in getting the unborn child's right to life enshrined in the constitution. Since then, it has successfully prevented the spread of abortion advice in Ireland through court injunctions against pregnancy counselling services.

Ireland's anti-abortion law dates back to the 1860s, but it has been accepted practice for Irish women to travel abroad to terminate unwanted pregnancies. According to UK statistics, more than 4,000 Irish women obtain abortions in Britain every year. Until now, no legal action has been attempted to stop this practice. The 1983 constitutional amendment, however, created a means for the state to intervene which it has now done.

In effect, any Irish woman who now seeks an abortion abroad, faces possible prosecution regardless of the circumstances of her pregnancy.

According to Ms Rita Burtenshaw, the director of Dublin's Well-Woman Clinic, Ireland's largest non-directive pregnancy counselling clinics, many women come to her in a near-suicidal state, unable to obtain abortion advice – since 1986, her clinic has been banned from giving it.

Her clinic, which counsels 40,000 women a year, is presently challenging the government's ban on abortion counselling through the Court of Human Rights.

A further complication is the protocol to last December's Maastricht Treaty which excludes Ireland from any EC legislation which would contradict its constitutional "right-to-life" amendment. Before signing, the treaty will have to be approved in Ireland by a referendum. Many Irish women may now oppose it on the basis of that protocol, which would potentially deny them the right to legal recourse through European courts, if further injunctions are sought against women travelling to the UK for abortions.

Urals Russians put a new slant on making money

MR BORIS SIDERENKO is a Russian entrepreneur who has given the concept of "making money" in Russia a whole new meaning, writes Gillian Tett. In the Russian Urals, Mr Siderenko and other local businessmen have become so frustrated with the collapse of the rouble they have devised and printed their own "parallel" currency.

"It's called the Ural franc," says Mr Siderenko, fanning out a sheaf of elegantly printed banknotes. "We hope to introduce it here as an alternative to the rouble."

The scheme sounds far fetched, but Mr Siderenko and his colleagues are in earnest. For as the economic and political disintegration of the former Soviet Union continues, it is not only the separate republics which are considering setting up customs posts and printing their own currency – but also separate Russian regions, like the Urals.

Two million banknotes have already been printed on the presses of Gosbank, the state bank of the former Soviet Union, with a planned circulation of more than 50m Ural francs.

This is tentatively forecast to represent a value of up to Rbs50bn, according to Professor Vitali Nayshul, a Moscow economist, and architect of the scheme. Reserves of hard currency and commodities (particularly iron ore and minerals) are being amassed to provide backing and joint venture negotiations are under way with western banks to provide further support, and a banking framework.

Prof Nayshul expects the Ural franc to be brought into circulation in the Urals within the next two months – although he admits that he is not yet sure whether it will be used solely for trade within the Urals, or for particular commodities traded between the Urals and other regions.

Spiralling inflation is the driving force behind the scheme. Faced with the increasing worthlessness of the rouble, enterprises and individuals are abandoning and are being forced into two options: paying in hard currency, or resorting to direct barter deals.

"It's easier to buy things with a train full of wood than with a stack of roubles. Factories want wood; they don't want roubles," says Prof Nayshul.

But hard currency is in short supply and barter clumsy and time consuming, even though many large enterprises now employ whole departments whose sole occupation is to arrange barter deals.

The Ural franc scheme is intended as an alternative. "We want the Ural franc to be a 'hard' convertible Russian currency, to exist alongside the rouble," explains Prof Nayshul hopefully.

However, he and his team have yet to convince sceptics that their "currency" will turn out to be anything more than a short-lived example of the economic anarchy in the former Soviet Union.

For, as teams of beleaguered Russian economic advisers are discovering, "making" money is one thing. Making it credible, is quite another.

Twenty die in Stepanakert missile attack

MORE than 20 people were reported killed in Nagorno-Karabakh yesterday in fresh violence between rival Armenians and Azeris, Reuter reports from Moscow.

The new spate of violence, attributed by Itar-Tass news agency to Azeri shelling of the capital Stepanakert, occurred four years to the day after former president Mikhail Gorbachev sent the army into the enclave on the southern fringe of the old Soviet Union.

Itar-Tass, quoting an Armenian foreign ministry official in Stepanakert, said the town had been hit by a barrage of 180 missiles which destroyed the parliament building and a radio and television centre.

High-level peace talks sponsored by the Russian foreign ministry, scheduled for today, remained in doubt after conflicting signals from the two sides.

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Judges sent into battle to hold Maastricht line

David Buchan looks at concerns over the Luxembourg court's more political role

IT was a case of "once bitten, twice shy", when Brussels yesterday decided to ask the EC's supreme court's opinion before daring to sign the European Economic Area (EEA) treaty which it renegotiated last week with the European Free Trade Association (Efta).

This may further delay the far-reaching EEA treaty, creating a 19-nation common economic zone. But the European Commission was clear that it did not want to risk a repeat of last December, when the European Court of Justice (ECJ) suddenly stymied 18 months of negotiation by objecting to the EEA treaty's judicial provisions, in particular a court with EC and Efta judges. The latest treaty version replaces the mixed court with a less ambitious arrangement.

Referral of the draft treaty to the ECJ is a mark of the Community supreme court's growing importance. It is further enhanced by the Maastricht treaty. This not only allows the ECJ to fine recalcitrant governments for not complying with EC directives and its own edicts, but also seems certain to draw the court into the highly political business of ruling on disputes over the treaty clause on "subsidiarity" – the division of powers between EC institutions and the Twelve.

But the 13 judges who make up the ECJ seem uncomfortable at being thrust increasingly into the political limelight. In a rare interview, Sir Gordon Slynn, who is retiring next month as the British judge on the ECJ to join the UK House of Lords law lords, recently insisted on the ECJ's "judicial, rather than political role" in ensuring the EC treaties are enforced properly.

The ECJ, Sir Gordon believes, will not, or should not, get involved in essentially political disputes between member states and Brussels, in the way that the US Supreme Court settles states' rights issues in America. He finesses the problems of disputes over the subsidiarity clause by saying "we probably would not decide on whether something is better done by member states (as opposed to the EC), but whether there was material to show that something was capable of being better done".

In other words, the Luxembourg benchers will, or should, avoid making the highly political value judgements which are for governments to decide. But the court proved itself bold last November, when in its ruling on the Francovich case it said that EC citizens could sue their governments for damages arising out of a government's failure to implement an EC directive. This ruling, which could give enormous backing to Brussels' efforts to chase up laggard governments, "flows logically from earlier principles laid down by the court", says Sir Gordon. "But the Francovich case will have to be worked out in great detail over the years," he cautions.

He noted that this potentially revolutionary ruling said little or nothing about the amounts of damages, the link between an unimplemented EC directive and actual damage suffered by an individual, or whether a member state might argue justification in not putting an EC law into effect. "What if a member state had been misled by the Commission on a directive's meaning?" asks Sir Gordon, leaving the question hanging.

Part of the ECJ's function is to give timely guidance to national supreme courts, like the Cour de Cassation in France or the UK's House of Lords, on points of EC law. It is a job on which it has often fallen down.

A decade ago, the ECJ took six months to issue such "preliminary rulings"; now it often takes as long as 18 months. Sir Gordon welcomes the fact that the Maastricht treaty allows more run-of-the-mill cases, such as on state aid and dumping disputes, to go to the ECJ's lower tribunal, the Court of First Instance.

He is also thankful to be leaving Luxembourg before having to deal with the legal tangles certain to be thrown up by the Maastricht protocol isolating the UK on social policy. But it now seems he may not have so lucky an escape on the EEA issue.

Brussels criticises drug prices

By Daniel Green

DRUG MANUFACTURERS in the UK, Holland and Germany are restricting crossborder trade to maintain profits in high drug price countries, a report prepared for the European Commission says.

Drug companies keep sales to a minimum when supplying wholesalers in low drug price countries such as Belgium, Spain and Greece.

Parallel imports from these countries into the UK, Netherlands and Germany account for up to 10 per cent of prescriptions, but could be higher if trade were free.

The report says that companies' grip on supplies is either "significant" or "very significant" in holding back parallel imports. This could concern the European Commission as running counter to Treaty of Rome free trade policies.

Companies are justified in doing this because price differences are set by governments rather than the market, according to Remit Consultants of London, UK.

It identifies other restrictions on parallel imports including changing the name of a drug between different countries. This tactic is common in Germany, where prices are the highest in Europe.

Bundeswehr set for radical cutback

By Quentin Peel

THE German government yesterday gave the go-ahead for a radical restructuring of its armed forces, cutting overall numbers from 495,000 to 370,000, restricting the call-up, and creating a new rapid reaction force.

At the same time the government agreed that it was "politically necessary" to amend the constitution with a "clarification" to enable the armed forces to serve outside the Nato area in future.

The new deal for the Bundeswehr was presented yesterday to the cabinet by Mr Gerhard Stoltenberg, the defence minister, as the transformation of the existing armed forces into a "training and mobilisation army".

The plan centres on the creation of a rapid reaction force at the heart of the Bundeswehr, involving seven brigades kept on a high state of readiness.

Stoltenberg: restructuring is planned between now and 2004

In the army itself, the number of divisions will be reduced from 12 to eight, and 20 of the 48 existing brigades will be disbanded. The air force's Alpha Jet fighter bomber will be taken out of service, while the navy will be reduced from 180 to 90 "seaborne units". In the civilian ranks of the defence ministry, 46,000 jobs will be done away with. Overall, the restructuring is intended to produce savings of DM43.7bn (£15.1bn) between now and 2004, Mr Stoltenberg told parliament.

What the restructuring plan does not decide is the future of the European Fighter Aircraft (EFA) which is being developed jointly with Britain, Italy and Spain.

The DM12bn earmarked for the aircraft remains in the medium-term defence budget.

A decision will only be taken on the project later this year.

● Middle-ranking officers from all the Western European Union member states attended a working seminar in Bonn yesterday at which Germany and France spelt out their plans to create a new "European defence corps".

As yet, however, the idea remains a purely Franco-German initiative aimed at the future expansion of the present Franco-German brigade into the nucleus of a future European force.

Hungary suffers serious drop in industrial output

RECESSION in Hungary – and throughout eastern Europe – cut the country's industrial output by more than a fifth last year as big, inefficient enterprises suffered in the difficult switch to market economics, according to official data released yesterday, Reuter reports from Budapest. The Central Statistical Office found that enterprises with more than 50 workers produced 21.5 per cent less last year than in 1990, when output dropped 8.5 per cent.

The sharp decline reflects the collapse of the communist trading bloc, Comecon, which once absorbed the bulk of Hungary's exports, and falling domestic demand.

Many small companies have sprung up in the past year but their output has barely dented the overall slump that has pushed unemployment above 8.5 per cent. But exports were worth more than $10bn last year and the government says they could grow another 8-10 per cent this year as links with developed countries improve.

Polish pay policy is challenged

By Christopher Bobinski in Warsaw

MR Jan Olszewski, the Polish prime minister, yesterday accepted the resignation of Mr Karol Lutkowski, the finance minister, as a two-hour token rail stoppage challenged the government's tough new pay policies.

The strike for higher wages was called by the Solidarity trade union only days after the government announced its intention to reduce real wages by 5 per cent this year. Mr Lutkowski offered his resignation on Monday because of fears that the government's new economic policies, designed to boost investment and growth, would prove too inflationary.

Two previous post-communist governments were frequently forced to concede demands for higher railway pay. They also proved powerless to discipline rail management which regularly overshot pay guidelines.

Under the wage system state enterprises are obliged to keep wage rises well below inflation or pay punitive taxes. By the end of last year the railways had a large unpaid penalty tax bill. Delayed tax payments from the railways and other state enterprises are a principle cause of the budget deficit.

British MPs warn over eastern Europe

By Anthony Robinson

THE failure of democratic politics to deliver improved living standards in eastern Europe could lead to the re-emergence of autocratic regimes, the foreign affairs committee of the Britain's House of Commons said yesterday.

In a gloomy report on the outlook for the former communist bloc, the committee described as "too sanguine" the views expressed by Mr Douglas Hurd, the foreign secretary. He told the committee that recent experience of totalitarian rule in these countries has "for the time being inoculated them against" the authoritarian temptation.

The report urged the UK and its EC partners to take every kind of supportive measure to strengthen economic and political reforms but underlined that "help is likely to be a difficult and extremely expensive task".

Should democracy fail, however, "the emergence of authoritarian nationalist, demagogic regimes on the borders of the planned European Union would raise a host of problems and threaten its planned common foreign and security policy." On security questions the report called for "the gradual evolution of a single, coherent system to ensure European security" through the strengthening of their relationship with Nato.

The report called on the international community to review its handling of the Yugoslav crisis.

"There will undoubtedly be a danger that the UN peacekeeping force once established will be unable to retire and that these areas will become UN-controlled with a virtually permanent large force," it warned.

The committee also expressed fears that the fierce nationalism which sparked the Yugoslav civil war could take hold elsewhere in Europe - and bring a flood of migrants into EC countries.

"Such large-scale migration would constitute a serious problem for all of the member states of the EC," the committee said.

The UN hopes to send a 10,000-strong multinational force into Croatia to help the peace process. Britain has indicated it is willing to become involved but has ruled out sending front-line infantry.

Turkish coalition ready for tax fight

By John Murray Brown in Ankara

A CONTROVERSIAL proposal offering Turkish businessmen a tax amnesty is set for a bumpy ride when it goes before parliament today.

The bill, under which all legal action against corporate and individual tax offenders would be dropped, is seen as the first real test of the government's economic programme, and a challenge to Turkey's fragile two-party coalition. The proposal will allow the Finance Ministry to waive the backlog of tax disputes and concentrate on this year's tax collection.

Officials hope it will encourage businesses and wealthy individuals to declare their tax liabilities, a move which should boost tax revenues and help the government to reduce the budget deficit, which in 1991 was running at 11 per cent of GNP and is one of the main causes of Turkey's 70 per cent annual inflation rate. On Tuesday the prime minister, Mr Suleyman Demirel, attacked those opposed to the tax amnesty, including deputies from his own True Path party, who last week joined opposition politicians calling for amendments to the bill. The amnesty has been criticised as favouring the wealthy friends of politicians and raises issues of official propriety at a time when the government is publicly investigating corruption charges against the former administration.

Turkey remains one of the least taxed economies in the Organisation for Economic Co-operation and Development (OECD). Economists are calling for more radical measures. The budget forecasts a 13 per cent real rise in tax revenue, but without further reform the target may be hard to achieve.

INTERNATIONAL NEWS

Hong Kong BCCI rescue bid collapses

By Simon Holberton in Hong Kong

THE Hong Kong subsidiary of the Bank of Credit and Commerce International is almost certain to go into liquidation after the collapse of negotiations between the receiver and a potential buyer.

Mr Noel Gleeson, the receiver, said his talks with the Hong Kong Chinese Bank – a subsidiary of the Indonesian-owned Lippo Group leading the buy-out team – could go no further after the discovery of previously unrecorded claims of more than HK$2bn against Bank of Credit and Commerce Hong Kong (BCCHK).

Most of these claims came to light in recent weeks from liquidators of BCCI operations in Britain, the US, Japan, Luxembourg and the Cayman Islands. Although Mr Gleeson doubted if these claims would succeed in court the fact of their registration meant they had to be considered when assessing the financial health of BCCHK.

An undertaking by the Abu Dhabi owners of BCCI to guarantee $25m of the unrecorded claims – having previously indicated they would underwrite all those claims – was insufficient to allow Hong Kong Chinese Bank to continue.

Mr Hamish MacLeod, the colony's financial secretary, said the balance had now shifted in favour of liquidating the bank. Mr Gleeson will appear before the Supreme Court on March 2 when he expects the court to order liquidation.

The BCCHK affair has reflected poorly on the Hong Kong government. On July 5, the day BCCI was shut down by co-ordinated action of bank regulators around the world, Mr David Carse, the colony's banking commissioner, issued a statement reassuring depositors that the bank was "sound and viable".

Mr Carse closed the bank three days later. It has since emerged that BCCHK has a negative net worth, although the scale of this has not been revealed.

Depositors, who feel they were misled by the government, have called for an independent inquiry into the handling of the bank's closure. The also want the government to take responsibility for the bank's unrecorded liabilities, charging that BCCHK was poorly supervised.

Hong Kong Chinese Bank said that while many of the technical problems of buying BCCHK had been resolved the emergence of the latest substantial claims had meant negotiations could not go further.

Hong Kong Chinese Bank's plans to take over BCCHK were last week dealt a blow when China Resources, a large diversified company owned by China's ministry of foreign economic relations and trade, withdrew from its consortium.

Mr Gleeson said BCCHK was one of the best and most honestly run arms of the BCCI empire. It had more than HK$4bn cash on deposit. However, he declined to say whether his investigations had uncovered any wrongdoing.

Depositors of BCCHK have already received a pay-out equal to 25 per cent of their deposits, up to a limit of HK$500,000. Mr Gleeson said he expected a pay-out of a further 15 per cent this year, and eventually depositors could expect 70 to 75 per cent of their money back.

Japanese earn highest motor industry wages

By Kevin Done, Motor Industry Correspondent

JAPAN, the world's biggest vehicle producer, emerged for the first time last year with the highest gross hourly wage rates in the world motor industry, says the German motor industry federation (VDA).

Motor industry wage costs were significantly higher in Sweden and in Germany, however, thanks to their much heavier social payroll costs, such as payroll tax or national insurance.

By contrast France became the country with the lowest total hourly wage costs in the developed world's motor industry for the first time, narrowly ahead of the UK.

In the five years from 1986 to 1990 the UK had the lowest motor industry wage costs (gross wages plus social costs such as payroll tax) in the developed world, but the VDA study shows that it was matched last year by France.

Motor industry wage costs in France were DM26.43 ($16) per hour last year followed closely by DM26.64 in the UK according to the VDA study.

The French and UK labour costs were only 58 per cent of those of Sweden, which ranks highest among leading car producing countries at DM45.41 per hour, and 59 per cent of those of Germany at DM44.47.

Japan and the US, the world's largest vehicle producing countries, ranked mid-way between the European producers for total motor industry wage costs at DM33.87 and DM35.05 per hour respectively.

Japan, which was second only to Spain at the beginning of the 1980s as a low wage cost country among auto producers, has suffered an erosion of its position in the last decade.

According to the VDA Japan had the highest gross hourly wages last year in the whole of the world motor industry at DM26.05 per hour narrowly ahead of Germany at DM25.87, Sweden at DM25.60 and the US at DM25.58.

Japan's total wage cost competitiveness is helped, however, by much lower social costs which at DM7.82 per hour are close to the UK level of DM7.18 per hour, which was the lowest in the ten-country comparison.

The VDA study shows that gross hourly motor industry wages are higher in the UK than in several other European countries, namely the Netherlands, Belgium, Italy, France and Spain.

The UK vies with France for the lowest total wage costs, however, thanks to the very modest level of additional payroll levies.

Spain, which consistently had the lowest motor industry wage costs among the industrial countries in the first half of the 1980s, has progressively lost its competitive edge to the UK and France since the mid-1980s.

Spain was the main recipient in Europe of big inward investment projects by world car makers at the end of the 1970s and in the early 1980s, but its role was taken over by the UK in the late 1980s with a wave of investments by Japanese car makers.

The biggest recent investments in new capacity in Europe (by Volkswagen, General Motors and VW/Ford in a joint venture) have gone to former east Germany and to Portugal.

German car makers are expressing grave concern about domestic wage cost levels. Mrs Erika Emmerich, president of the VDA, warned recently that the German motor industry's strengths in quality and technology were no longer sufficient to compensate for the disadvantages of producing in Germany.

"However we look at it, our production costs are too high. The wage costs of the German auto industry are almost a third higher than the Japanese, they are two-thirds higher than the British and the French and 50 per cent higher than the Spanish.

"High wage costs and – by international comparison – short working hours significantly reduce the competitiveness of the German industry."

Mrs Emmerich warned that some German companies, particularly components suppliers, had already faced the stark choice of either moving production abroad to lower-cost countries or of going out of business.

Britain's Queen Elizabeth at the start of her visit to Australia: no longer pulling the crowds

Australians find monarchy less than majestic

Kevin Brown reports on the growing republican movement

AUSTRALIA'S nascent republican movement was given a boost this week when fewer than 400 flag-waving royalists turned out to welcome Queen Elizabeth II at the beginning of her 12th official visit to Sydney.

The modest turnout was in stark contrast to the scenes of adulation which greeted the Queen on her first visit in the mid-1950s, when 1m people are estimated to have lined the city's streets.

The low-key welcome reflects the growing influence of non-Anglo-Saxon immigrants, as well as increasing scepticism about the value of Australia's remaining links with Britain, the former colonial power.

However, the evidence is that while republicans are gaining confidence, falling support for the monarchy is not being translated to widespread support for abolition.

If these trends continue, it could set the scene for a lengthy conflict on constitutional issues which would divide Australians at a time when they face difficult economic and social problems. Historically, republicanism has attracted many prominent Australians, including influential writers such as Henry Lawson, the 19th century poet, and Professor Donald Horne, author of The Lucky Country, an ironically titled catalogue of Australian shortcomings which appeared in 1964.

The movement made little political headway until last year, when the governing Labor party said it favoured the establishment of a republic by 2001, the centenary of the federation of Australia's six former British colonies. Mr Paul Keating, the prime minister, has since added to the republican tide by supporting the removal of Britain's Union flag from the upper left quarter of the Australian flag – another symbol derided by many as a hangover of colonialism.

Abolition of the monarchy would complete Australia's gradual drift away from Britain, which began with federation and has since led to the abolition of formal links such as judicial appeals to the British courts and the award of imperial honours.

In recent years Australia has also replaced the British national anthem with its own Advance Australia Fair, and formally separated the thrones of Britain and Australia, although the sovereign remains the same person.

However, the Australian Republican Movement, of which Mr Horne is deputy chairman, claims Australia is demeaned by the continued existence of a head of state who lives 12,000 miles away and is also sovereign of a foreign country.

Sir Richard Kirby, chairman of the Ausflag campaigning organisation, puts forward similar arguments for the removal of the Union symbol from the Australian flag, although he says a redesigned national flag need not lead to a republic. Ausflag also claims that the existing flag confuses Australia's Asian trading partners by casting doubt on Australian sovereignty.

The anecdotal evidence of newspaper letters columns and radio phone-in programmes indicates that many of these ideas have taken root, especially among Labor voters. They are also beginning to prompt republican demonstrations by a minority of public figures. For example, five Labor MPs have said they will not attend social functions during the Queen's visit, and a few will also boycott the ceremonial opening of the New South Wales parliament.

However, both republicanism and changes to the flag are strongly opposed by conservative organisations such as the Returned Services League, a veterans' support group which complains loudly that republicans are traitors to Australia's military dead.

The proposed changes are opposed equally strongly, if less stridently, by the conservative Liberal/National party coalition, which is widely expected to win the next federal general election, due by mid-1993.

Opinion polls suggest that the conservatives are correct in claiming to represent the majority. A recent survey by the Australian National University (ANU) found 58 per cent backing for the monarchy, down from 64 per cent in 1984. Only 22 per cent supported a republic, up from 19 per cent.

There are also doubts about Labor's commitment to republicanism, and its ability to deliver. The resolution passed by the party's biannual conference in June contained no proposals for legislation, and is not binding on the government, which has taken no steps to implement it.

Even if it wished to do so, such a major constitutional change could be achieved only with the consent of the Upper House of the federal parliament, which Labor does not control. The change would also require approval in a referendum by a majority of voters in a majority of states – a constitutional formula which has previously proved an insurmountable barrier to proposed amendments lacking the support of major political parties.

Before reaching that stage, Labor would have to develop detailed proposals to replace the present system, which could prove difficult and divisive. No thought has yet been given, for example, to the relative merits of executive and ceremonial presidencies, or to whether the president should be directly elected.

Nor has Labor considered how to counter the argument that Australia is already a republic in all but name because the Queen's powers are in practice exercised by the governor-general, who is appointed for a fixed term on the advice of the federal government.

Dr Clive Bean, the academic who compiled the ANU's recent survey on public attitudes, says that in the face of these difficulties, the medium-term prospects for Australia's republicans are bleak unless a more decisive shift of opinion occurs.

"The Labor party will need to launch a very strong public education campaign promoting what would after all be a major constitutional change if it is to have any hope at all of succeeding with a referendum," he says.

S African conservatives set to win by-election

By Philip Gawith in Johannesburg

EARLY indications yesterday suggested South Africa's ruling National Party was lagging behind the right-wing Conservative Party in the crucial Potchefstroom by-election.

The by-election is being billed as a referendum of white opinion on constitutional changes. Both parties claim to speak for Afrikaners, and both see the result as important.

A local pollster, Mr Donald Simpson of the University of Potchefstroom, forecast victory for the CP by at least [illegible] votes.

Meanwhile Mr Tertius Delport, deputy Constitutional Affairs minister, prepared the ground for a possible defeat, saying the government had embarked on a reform process which had created doubt.

"We must accept that at the moment we are in a process where we cannot necessarily rely on all the supporters we could have relied on had our policy already shown progress."

Were the government to lose the seat, which it held with a 1,583 vote majority in 1989, it would be vulnerable to the charge that it no longer speaks for most white voters. For the Conservative Party, victory is critical.

If it cannot win this seat against the background of a long recession, a debilitating drought and nervousness among white voters about the pace of political reform and rising levels of violence, then its credibility will be seriously damaged.

The government did not help its chances with the bizarre timing this week of an announcement of big changes to the white school system. These mean many white parents will have to pay twice as much for their children's education.

Although the principle that white parents should pay more enjoys wide acceptance, the timing of the announcement, which has been condemned from all sides, was a political godsend for the Conservative Party.

Mr Simpson predicted that while the Conservative Party did not offer a real hope for a prosperous future, many voters would use the opportunity to lodge a protest vote against the government.

UN steps up the pressure on Iraq

By Michael Littlejohns at the UN, New York

THE UN Security Council, alarmed by continued Iraqi intransigence, last night called on Baghdad to implement unconditionally all the resolutions related to the Gulf ceasefire, in particular those on scrapping weapons of mass destruction.

The Council approved a new mission to Iraq by Mr Rolf Ekeus, head of the UN Commission charged with identifying and eliminating these weapons. He was directed to "stress the serious consequences if such agreement to implement is not forthcoming."

Mr Ekeus was due to leave New York last night and arrive in Baghdad tomorrow. He told correspondents he expected to report back to the Council next week after talks "at the highest level."

He told the Security Council that Iraq continued to display "serious, grave, even appalling disdain" for the UN and its decisions.

Mr Ekeus has constantly complained of Iraqi duplicity in its attempts to hide weapons of mass destruction and failure to meet even some of the most elementary obligations in mandatory UN resolutions. Baghdad says the requirements are excessively intrusive and violate its sovereignty.

It was not clear if Mr Ekeus will see President Saddam Hussein, who is sending a delegation to New York to appeal to the Security Council for the lifting of sanctions, including the oil embargo.

Iraq will probably argue that sanctions are causing severe distress among the most vulnerable Iraqi civilian groups, including women, children and the elderly.

None the less, Mr Saddam continues to refuse to ship up to $1.6bn of Iraqi oil under a temporary relaxation approved by the UN last August in response to an appeal on humanitarian grounds. On February 4 the Iraqis called off talks with the UN aimed at finding a solution.

Last night's Security Council warning to Iraq of possible serious consequences may be significant given the debate under way in Washington on the need for measures to overthrow Mr Saddam.

Security Council members

Saddam: refuses to bow to UN demands

voiced concern at Iraq's "continued failure to acknowledge all its obligations under Council resolutions and its continued rejection." The UN plans to monitor and verify its arsenals of the most dangerous weapons and to co-operate in their destruction.

The statement said this was an integral part of the ceasefire resolution "and provided the conditions essential to the restoration of peace and security in the region". It was a "step of the utmost importance".

Unconditional Iraqi implementation an essential to any reconsideration of sanctions, the UN said.

Drought-stricken Zimbabwe gets $1bn in aid

ZIMBABWE was promised $1bn in aid yesterday to help it overcome drought and persevere with economic reforms, Reuter reports from Paris.

Zimbabwe faced its severest drought since 1967, Mr Bernard Chidzero, finance minister said after a two-day meeting with aid donors.

Zimbabwean officials said their country, traditionally a maize exporter, would need to import 1m tonnes of maize in the twelve months from April.

This week's talks were less tense than some had feared. Reports had suggested donors might try to get the government to amend a bill legalising compulsory purchases of land from white farmers to resettle black families.

Mr Chidzero said donors recognised the need for land reform, and the government accepted there should be some recourse to the appeal courts if grievances arose.

The differences were not wide enough to prevent donors from increasing aid pledges from last year's $700m.

Mr Stephen Denning, director of the World Bank's southern Africa department and chair of this week's meeting, denied reports that much of that $700m had not been disbursed. Donors disbursed $500m loans out of $600m pledged, and all of the $100m grants, he said.

Donors commended the way Zimbabwe had stuck to its five-year economic reform plan, now in its second year.

Mr Chidzero said problems stemming from the drought, had led to a rise in the current account deficit to 12 per cent of GDP in 1991 from 4 or 5 per cent while inflation had also soared.

But Zimbabwe recorded real growth of 3.5 per cent in 1991, and there was notable success in adjusting the exchange rate and cutting the budget deficit.

NEWS IN BRIEF

Few vote in Punjab after poll threats

By K K Sharma in New Delhi

ONLY 30 per cent of Punjabi voters went to the polls yesterday in the state's first elections in nearly five years after Sikh militants urged a boycott.

The election is for 13 members of parliament and 117 members of the state legislature.

Fear of the militants was blamed for the low turnout, particularly in the rural areas where fewer than 15 per cent voted.

Polling booths were heavily guarded by armed troops and the day went off more or less peacefully. There were only two bombs attacks, killing one person and injuring 17. Counting of ballot papers will begin today and the results should be known within three days.

Indians fear Tiger hit squad

Indian commandos took over security at the Indian High Commission and India house in Colombo yesterday and put guards outside the homes of Indian diplomats following intelligence reports that a hit squad of the Tamil tigers had slipped into the city, Mervyn de Silva writes from Colombo.

The Tiger radio based in the island's northern jungles has been broadcasting defiant speeches from the Liberation Tigers of Tamil Eelam (LTTE)after the Indian government placed large notices in the local press naming Mr Velupillai Prabhakaran, head of the LTTE and his intelligence chief Pottu Amman as suspects in the Rajiv Gandhi assassination.

Koreas ratify historic pact

The prime ministers of North and South Korea, separated by the Cold War's last frontier, exchanged documents yesterday ratifying historic agreements on non-aggression and renouncing nuclear weapons on the divided peninsula, where 1.5m troops still confront each other across the border, Reuter reports from Seoul.

But the ceremony was overshadowed by southern suspicions that North Korea was stalling inspections of its nuclear facilities while continuing to develop nuclear weapons. Some analysts believe Pyongyang could have a workable crude device by next year.

Algeria's new rulers swallow their political pride

Economic problems are forcing Algiers to seek financial support from the Gulf, reports Tony Walker

THIS week's visit to the Gulf by Mr Lakhdar Brahimi, Algeria's foreign minister, to seek financial help represented a painful admission of weakness for a country with a proud tradition of robust independence, nurtured in a bloody revolutionary struggle against the French.

Algeria's rulers have always tended to look rather disdainfully upon the Gulf sheikhs and it is a measure of their deep unease over the threat of continuing Islamic-inspired unrest that they feel obliged to join others among their destitute Arab brothers in seeking Gulf financial support.

The question in Arab capitals is whether Algeria's desperate need for assistance to cure the economic causes of disaffection will produce shifts in its regional stance, perhaps toward a closer identification with the Egypt-Syria-Saudi Arabia axis that dominates Arab councils.

Algiers once prided itself on being the national liberation movement capital of the world at one stage no fewer than 75 such movements were represented but Western officials have no doubt penury will bring about changes.

"None of these things comes free," said one official. "Their actions are likely to be more circumscribed. They are joining the real world, and with it the inevitable realisation of their limitations."

Algerian officials resist this assessment. They prefer instead to emphasise the risks for the region of a destabilised Algeria in place of one that has traditionally performed a balancing role between militants and moderates.

"Because of our internal problems, maybe we cannot have the same stabilising role," said an official. "If Arab countries want us to keep playing the same role we need assistance." Such pronouncements, casting Algeria in the unaccustomed role of supplicant would have been unthinkable during the era of President Houari Boumediene in the 1970s when Algeria was a recognised Third World leader.

Among the fruits of this activism was Algeria's election in 1974 to the presidency of the United Nations General Assembly's eventful 29th session during which Mr Yasser Arafat, the Palestine Liberation Organisation leader, was given the floor to deliver his "gun and olive branch" speech, the resolution equating Zionism with racism was passed and South Africa was suspended.

These heady "achievements", tended, however, to obscure Algeria's real problems of high population growth, an economy almost totally dependent on hydrocarbons, growing disaffection among the young, a crumbling education system, inadequate housing; all of which coincided with the growth of a broad-based Islamic movement, part-funded from abroad.

It is not the smallest of ironies that Mr Brahimi's first port of call in the Gulf this week was Saudi Arabia. It was the Saudis who discreetly but effectively helped the Islamic Salvation Front get established until FIS support for Iraq in the Gulf crisis led to a suspension of assistance.

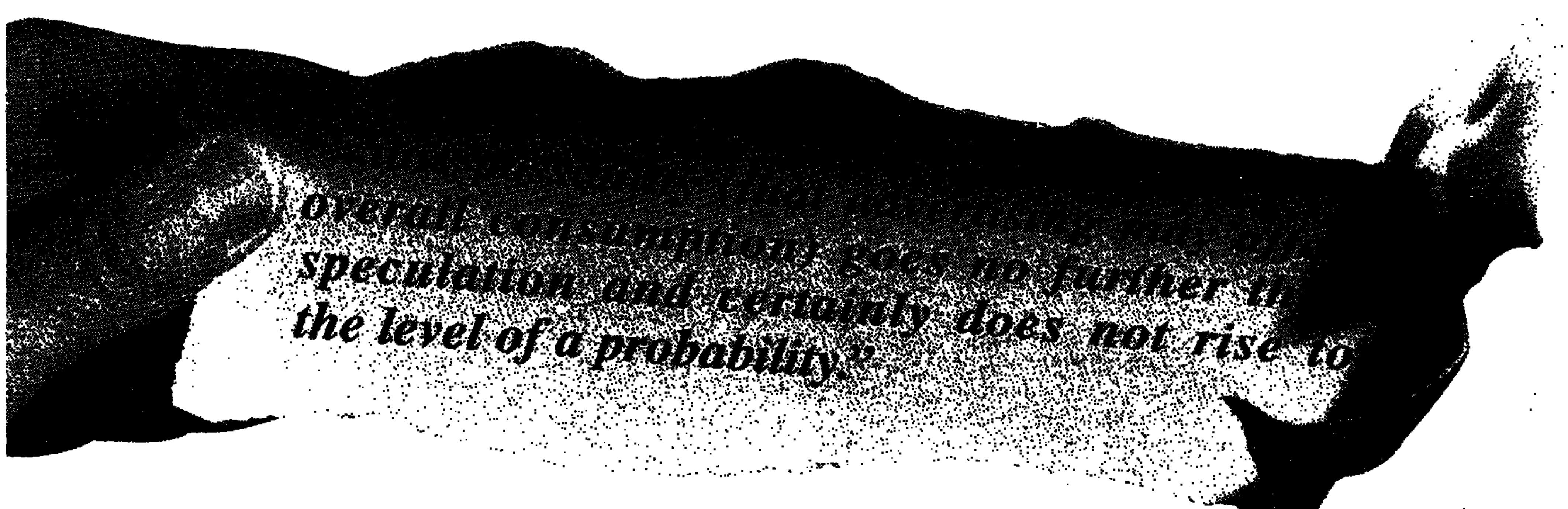
Algeria itself adopted a fairly ambivalent position in the crisis, neither supporting Iraq, nor giving overt backing to the moderate Arab axis. It sporadically sought to use its influence behind the scenes to end the crisis.

Severe tension between Algeria and Iran scarcely a day passes without bitter criticism of Tehran in the Algerian press is another indication of the distance the regime has travelled from its militant roots.

With the exception of Syria, Algeria, among Arab states, had maintained a relatively cordial relationship with the Ayatollahs, but that has certainly passed. One of the points, Mr Brahimi seems likely to be making to his Gulf hosts this week is that Iran poses a renewed threat to all Arab states, and that Algeria finds itself in the front line.

Algeria's economic crisis must also be troubling Polisario guerrillas, engaged in a test of wills with Morocco for control of the Western Sahara, and the Palestine Liberation Organisation which has always been able to rely on Algerian support. Another prop is perhaps in the process of being removed from the tenuous base of support Mr Arafat has been able to rely on all these years.

THE EVIDENCE IS THAT BRUSSELS ISN'T INTERESTED IN THE EVIDENCE.



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Their argument is that this will reduce the consumption of tobacco.

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In fact the court also found a ban on advertising to be 'a form of censorship and social engineering which is incompatible with the very essence of a free and democratic society'.

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TOBACCO ADVISORY COUNCIL
Hear the other side

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Democratic campaigners turn to a broader canvas

The race for the party's presidential nomination speeds up with a series of big primaries on the horizon, writes **George Graham**

AFTER weeks when candidates trod on each other's toes in the tiny state of New Hampshire, the nature of the campaign for the Democratic party's presidential nomination now changes.

In New Hampshire, candidates could concentrate on a single state and "retail politics," meeting face to face with voters. Now, however, the race speeds up with two small votes in Maine and South Dakota followed by a series of big primaries on March 3, 7 and 10. "You have got to campaign on March 3 in six states, and you cannot do that retail," says Mr Bob Beckel, a Democratic campaign adviser.

But Tuesday's primary has changed another element in the campaign. The strong showing of the two leading candidates – Mr Paul Tsongas, the former senator from Massachusetts, and Governor Bill Clinton of Arkansas – has severely reduced the likelihood that a new candidate, such as Senator Lloyd Bentsen of Texas or Congressman Dick Gephardt of Missouri, might decide to run.

Democratic party leaders have been voicing doubts about the quality of those now running and encouraged speculation that a heavyweight candidate might enter the race. But Mr Ron Brown, the party chairman, has made it clear he expects the nominee to be chosen from the current candidates, and several Democrat campaigners have scoffed at the theory that a late entry might still be possible.

One party activist said: "The thought has come up in every presidential election I can remember. The only time it worked was with Eugene McCarthy in 1968, and the rules have changed since then."

Mr Tsongas, looking his usual lugubrious self after winning in New Hampshire with 34 per cent of the vote, set off for New York yesterday to try to raise more campaign funds on the strength of his success.

He is planning a whirlwind tour in the next few days which will include South Dakota and Georgia, but is expected to concentrate his efforts on the Maine caucuses this Sunday, on Maryland's March 3 primary, and on his home state of Massachusetts on March 10.

Mr Clinton, by contrast, was beaming as he labelled himself "the Comeback Kid" after shaking off a press assault over what he calls "a woman I didn't sleep with and a draft I didn't dodge".

His 26 per cent vote gave him a strong second place that six weeks ago might have seemed a failure, but appeared a triumph when viewed in the light of his prospects last week.

To kill the questions that have been raised about him, Mr Clinton needs to perform as strongly on March 3 and in March 10's 11-state Super Tuesday as he did in New Hampshire.

That means outright victory in states like Georgia, Florida, and Texas, which should provide the natural political base for this moderate southern Democrat.

For Senator Bob Kerrey of Nebraska and Senator Tom Harkin of Iowa, with 12 and 10 per cent of New Hampshire votes respectively, the crucial test will be next Tuesday's primary in South Dakota, which borders both their home states.

The sparsely populated state carries little electoral weight, but both candidates need a strong showing if they are to gain momentum for their fund-raising activities.

"People don't get out of this race because they don't think they can win some place down the road. They get out because the money dries up," says Mr Beckel.

In this respect, Mr Clinton is comfortably ahead of his rivals. Although he has had to spend more heavily than he had intended in New Hampshire to restore his battered fortunes, he still has a bigger campaign war-chest.

If both the Tsongas and Clinton campaigns can emerge from this crucial period still leading the Democratic field, the scene could be set for a decisive contest in the big mid-western states of Illinois and Michigan, which both hold their primaries on March 17.

The Comeback Kid: presidential hopeful Bill Clinton hugs his wife Hillary at his election party yesterday, after coming second to Paul Tsongas

Miyazawa dismissive of Buchanan

MR Kiichi Miyazawa, Japan's prime minister, forecast yesterday that Mr Patrick Buchanan would not gain national support in his challenge to Mr George Bush for the US presidency, Reuter reports from Tokyo.

Hours later he backed off, however, apparently fearful his comments would inflict further damage on US-Japanese relations.

"I should not publicly comment on elections in other countries. It is too early to predict the outcome of elections being held throughout the US which have just begun," he said.

The prime minister, mired in political problems of his own, earlier told reporters he had thought Mr Bush would win more than 60 per cent of the vote in the New Hampshire primary election on Tuesday.

Mr Bush took 58 per cent of the ballot, against 40 per cent for Mr Buchanan, in the first test of his candidacy for the November presidential election.

Mr Miyazawa said he thought "Mr Buchanan will not gain currency in all of America. I believe it is only that state [New Hampshire], as the economy appears to be in recession".

The Japanese, who feel they have become a target for Americans frustrated with a sluggish economy, are concerned that Mr Buchanan's criticism of Mr Bush could lead to isolationist policies.

In the US, "Buy American" campaigns have sprung up in a grassroots effort to hit back at Japan and reduce the US trade deficit.

Rumours fly as N America trade talks enter critical phase

Officials meet this week to iron out differences in negotiating stances, write **Damian Fraser** and **Nancy Dunne**

TALKS on the North American free-trade agreement (Nafta) reach a critical stage this week, as senior trade negotiators from Canada, Mexico and the US meet in Dallas to bridge differences symbolised by the hundreds of brackets containing individual positions in the current negotiating texts.

Mr Jaime Serra Puche, Mexico's trade minister, said in an interview that if this week's Dallas talks went well, he "would not be surprised if an agreement was initialled in March".

Nevertheless, he insisted the natural pace of negotiations would determine the timing of the treaty, and not the other way round.

Mr Serra seemed unruffled by the possibility that a treaty will be postponed until after the November US congressional and presidential elections.

"Is there a big deal between having a treaty in December rather than July?" he asked, pointing out that a deal was designed to make North America more competitive over decades, not months.

His acceptance of political realities is fortunate in view of the message sent to US President George Bush in Tuesday's New Hampshire primary. While it is by no means certain that the protectionism espoused by Mr Pat Buchanan won him a 40 per cent vote in the Republican primary, it is clear that voters are very angry. The president will have to think hard about sending to Congress a treaty which opponents will say would cost American jobs.

Under US law, Congress is notified after a treaty is initialled, and 90 days after notification the heads of state sign the (possibly amended) agreement.

Assuming the treaty was initialled in mid-March, it would be signed in mid-June. Congress has another 90 working days to vote on the signed treaty; however, this could in effect take anything up to six months to go through, stretching the process up to December 1992.

Whether the vote on the treaty was before or after the November elections was, said Mr Serra, largely a question for US congressional Democrat leaders and Mr Bush. The relevant congressmen could hole the treaty up in a committee until after elections, or release it early.

First the three sides have to initial a treaty, and important differences remain.

US representatives insist that concessions must be made by the Mexicans – in financial services, investment, energy, and agriculture – if the talks are to reach a successful conclusion this year. Mr Serra is adamant that, among other concessions, the US should reform its anti-dumping laws with respect to Mexico and Canada.

Unless a substantial number of these differences are hammered out in Dallas, there would be little chance an initialled agreement would be reached by mid-March, says a senior Mexican business executive. Mr Serra generally agrees with this.

With the ministers and their working groups in seclusion, opponents of the talks have been reduced to complaining about the secrecy and passing rumours about the status of negotiations.

"The question must be asked: what exactly are the negotiators hiding from the public?" said Mr Pharis Harvey, director of the opposition Mobilisation on Development Trade, Labour and Environment. "Despite the secrecy and the rosy scenarios painted by officials involved in the negotiations, we do have a clear indication that the impact of a Nafta would be, in fact, quite dire."

In the atmosphere of paranoia it was rumoured that congressmen were being allowed to view the famed "bracketed text" only by entering alone – without any materials to take notes – into a guarded, hermetically sealed chamber in the capital. This was disputed by others on Capitol Hill, who insisted that no one had been given access to the negotiating text.

An environmentalist closely monitoring the talks reported rumours that the trade representatives were making swift progress.

There are really two texts, it is also being claimed. One is for congressional eyes and the other – a "ministerial text" – will only be revealed at the right moment to stun opponents and speed through the congressional approval process.

Mr Larry Birns, director of the Council on Hemispheric Affairs in Washington and "a long-time treaty watcher," said no one had seen a text.

"I've never seen anything like this. Usually we have a verbatim text by now or enough leaks to create a verbatim text."

One industry source said the secrecy was designed to keep the text free of controversy in order to get the job done quickly. However, there was no sign of movement to comply with the two conditions congressional Democrats say must be met: an environmental agreement and a workers' adjustment package.

Mexican newspapers, by contrast, are filled daily with news on the agreement. Mr Serra has addressed the Mexican Senate seven times on the talks' progress, and has invited almost every important Mexican businessmen to join in the negotiations.

The trouble is most independent Mexican newspapers seem to take it for granted that the US will decide when the treaty is signed, if it ever is, and what concessions the Mexicans can afford to make.

So for them, the relative openness of Mexican officials does not count for much. Instead the US negotiators are treated with reverence, and Mrs Carla Hills, US trade representative, accorded star status.

RECESSION and a series of high-profile trade disputes with the US have heightened the Canadian public's unease over the creation of a North American free-trade area (Nafta), Bernard Simon writes from Toronto.

However, Prime Minister Brian Mulroney has so far shown no sign of bowing to pressure to withdraw from trilateral talks with the US and Mexico.

Canadian government officials say the talks give Ottawa an opportunity to clarify and improve the rules of origin in the 1989 US-Canada free-trade agreement (FTA).

They also contend that current disagreements over Canadian lumber and automotive exports to the US underline the importance of the dispute settlement mechanism, which has been one of the most successful features of the FTA and is likely to be adapted to the Nafta.

WWF warns of cost to ecosystems of global warming

PLANT and animal life in half the world's national parks and protected areas is at risk due to global warming, according to a World Wide Fund for Nature report, writes **John Hunt, Environment Correspondent.**

The report says there is conclusive evidence that glaciers are receding because of climate change; rising sea levels are killing mangroves; and coral reefs are dying in warmer oceans.

Ms Tessa Robertson, WWF pollution and energy officer, said: "Such events are ominous indicators of the effects of climate change. If we continue to emit greenhouse gases at the current rate, more and more ecosystems and species will be in grave danger."

Mountainous areas, coastal wetlands, tundra and northern and temperate forests were particularly threatened.

Animals most at risk included the walrus, polar bear and gazelles. More than 150 species of European alpine flower, including the edelweiss, could decline or become extinct.

The report is being considered at the World Congress on National Parks and Protected Areas being held in Caracas, Venezuela. The congress will report to the Earth Summit in Rio de Janeiro in June.

The findings are based on the effects of a 1 degree Centigrade rise in global temperature by the year 2025 and 3 degrees Centigrade increase by the end of the next century.

These levels have been predicted by the Inter-governmental Panel on Climate Change, if greenhouse gases are not reduced.

They could result in a severe reduction in the overall biological productivity of the Arctic seas. Many of Britain's coastal reserves would risk losing plants and animals as sea levels rose. Migratory routes and breeding and feeding grounds for fish and birds were likely to be affected.

Around the Mediterranean, global warming could prove the "final straw" as many areas are already under pressure from population growth, coastal development, pollution and tourism.

Snow and ice-covered parts of the European alpine landscape could be reduced by a quarter by a temperature rise of 3.8 degrees Centigrade.

Land use would be radically altered and there would be major changes to lowland rivers and forests with risk of flooding.

Can Nature Survive Global Warming? WWF UK, Panda House, Weyside Park, Godalming, Surrey GU7 1XR.

Mint in Argentina 'absolved' of forgery

By John Barham in Buenos Aires

ARGENTINA'S national mint has never forged banknotes, watchdogs have concluded after a lightning investigation. Mr Jorge Pinzon, chief ombudsman, said yesterday that "preliminary oral and documentary investigations" reassured him that there was "no evidence to support claims that the mint printed fakes."

Last year, the central bank detected two sets of perfectly printed "twin" banknotes with duplicate serial numbers. The twins were traced to the mint, which blamed faulty printing equipment, an explanation the central bank rejected.

More sceptical observers believe mint employees may have been moonlighting as forgers to churn out additional, authentic-looking notes.

The affair surfaced again this week after a newspaper obtained central bank letters complaining that if massive printing of fakes occurred, it would destroy confidence in the money supply.

Mr Pinzon now says the twin notes were not released into circulation. They were caught and shredded on the spot. Nonetheless, he promised to continue with his inquiries to establish how the duplicates, one set worth $50, the other $10, came to be printed and "eliminate all doubts" over the quality of Argentina's money supply.

Greenspan points to benefits of economy-wide restructuring

By Michael Prowse in Washington

MR Alan Greenspan, the Federal Reserve chairman, yesterday delivered a series of upbeat economic forecasts to Congress, in prepared testimony to support his semi-annual Humphrey-Hawkins monetary report.

He predicted that the US economy would grow modestly this year. Unemployment would soon begin declining and the inflation outlook was the best for a generation.

The report sets unchanged targets for the main monetary aggregates – a sign that the Fed is happy with the thrust of monetary policy.

Answering questions from Congressmen, Mr Greenspan sought to clarify the reasons for Tuesday's announcement of reduced reserve requirements for commercial banks. He said the Fed was cutting required reserves from 12 per cent to 10 per cent of current account deposits in order to improve bank profitability and stimulate new lending.

He said the requirement that banks hold non-interest bearing reserves with the Fed amounted to a tax on banks. The move was part of the Fed's continuing efforts to ease the "credit crunch".

Mr Greenspan based his forecasts of economic recovery in part on evidence that restructuring of balance sheets by households and companies was well advanced. As a result of lower interest rates, household debt service as a percentage of disposable income had fallen in the past year, from about 19.5 per cent to 18.5 per cent.

With corporate bond rates close to their lowest levels in more than a decade, many companies had retired a large volume of high-cost debt. A flood of bond and equity issues had also reduced dependence on short-term debt instruments.

The condition of financial institutions had also markedly improved. Wider interest margins had boosted bank profits.

Mr Greenspan, however, noted that the balance sheet adjustments in train were without parallel in the post-war period. It was thus "extraordinarily difficult" to judge how much of the necessary adjustment had been completed.

Mr Greenspan drew attention to the "especially favourable" outlook for inflation. The consumer price index was likely to rise by 3-3.5 per cent between the fourth quarter of last year and the last quarter of 1992, compared with a 3 per cent rise in 1991. But this understated the improvement because consumer prices were held down last year by sharp declines in energy prices.

"Our outlook envisages a significant improvement in the so-called core rate of inflation."

Mr Greenspan confirmed targets for monetary aggregates set tentatively last July. The target for M2, the main measure of broad money, is for growth of 2.5-6.5 per cent, unchanged from last year.

Economic projections for 1992

Measure	1991 Actual	Federal Reserve Range	Federal Reserve Central tendency	Admin
Percentage change, fourth quarter to fourth quarter				
Nominal GDP	3.2	4–6	$4\frac{1}{2}$–$5\frac{3}{4}$	5.4
Real GDP	0.2	$1\frac{1}{2}$–$2\frac{3}{4}$	$1\frac{3}{4}$–$2\frac{1}{2}$	2.2
Consumer price index	2.9	$2\frac{1}{2}$–$3\frac{1}{2}$	3–$3\frac{1}{2}$	3.1
Average level in the fourth quarter, per cent				
Unemployment rate	6.9	$6\frac{3}{4}$–$7\frac{1}{4}$	$6\frac{3}{4}$–7	6.8

Source: Federal Reserve

Mr Greenspan said the new targets had been chosen "against the backdrop of anomalous monetary behaviour during the last two years." M2 grew by 3.8 per cent and 3.1 per cent in 1990 and 1991, in each case well below the centre of the target range. Mr Greenspan said the shortfalls partly reflected restructuring, which had led to reduced reliance on bank credit. He believed this year's monetary targets were appropriate but warned of "sizeable uncertainties" that could force a reassessment.

Mr Greenspan said the Fed had recently focused mainly on the short-run outlook. However, "as we move forward, we cannot lose sight of the crucial importance of the longer-run performance of the economy."

Ranges for growth of monetary and credit aggregates

	1990	1991	1992
Percentage change, fourth quarter to fourth quarter			
M2	3-7	$2\frac{1}{2}$-$6\frac{1}{2}$	$2\frac{1}{2}$-$6\frac{1}{2}$
M3	1-5	1-5	1-5
Debt	5-9	$4\frac{1}{2}$-$8\frac{1}{2}$	$4\frac{1}{2}$-$8\frac{1}{2}$

Source: Federal Reserve

In a veiled warning that interest rate increases would eventually be necessary, he said the Fed's main contribution to growth would come through promoting "progress toward price stability".

Figures signal better economic outlook

A JUMP in US housing starts and better than expected inflation figures were yesterday seen as further evidence that the US economic outlook is gradually improving, writes **Michael Prowse.**

The Commerce Department said housing starts rose 5.5 per cent last month to a seasonally adjusted annual rate of 1.17m. The increase was about twice as large as expected in financial markets and probably reflected the impact of recent cuts in interest rates.

Starts last month were running about 38 per cent higher than in January last year when building activity was subdued by the Gulf war.

However, last month's better housing figure reflected a possibly erratic surge in building activity in the mid-west, where starts rose by about a third. Starts declined slightly in other regions, including the north-east and the west.

The increase in starts was also concentrated in apartment buildings, a volatile sector. Starts for single family homes rose by less than 1 per cent.

Figures from the Labour Department showed that consumer prices rose only 0.1 per cent last month, less than expected by analysts. The annual rate of consumer price inflation fell to 2.6 per cent in January, having declined steadily through last year.

The low increase in prices reflected falls in the indices for both food and energy.

Excluding these elements, the "core" consumer price index rose 0.3 per cent last month and by 3.9 per cent in the year to January.

Caribbean fights to keep cholera at bay

By Canute James in Kingston

CARIBBEAN countries are preparing to combat cholera which is threatening to reach the islands after sweeping through Latin America. Officials say fighting an epidemic would be costly for the financially-strapped governments, and could severely damage the region's tourist industry, on which many island economies depend heavily.

Three confirmed cases in Belize in Central America have increased concern in the islands.

Although there have been no deaths from the disease in the islands, the Caribbean Epidemiology Centre, which operates in 19 countries, has said preparations are being made to contain it. The infiltration of cholera is "inevitable," according to Dr Franklin White, director of the centre.

However, "the potential for transmission of the disease would be limited in most of the Caribbean countries because of a more favourable environmental health situation compared with Latin American nations".

The appearance of the disease in Venezuela has caused the government of Trinidad and Tobago to declare a health alert. "The latest report on cases in Venezuela means that cholera is now in our backyard, a mere seven miles away," said Mr John Eckstein, Trinidad and Tobago's health minister.

He said cholera could not be kept out, given the movement of people between Trinidad and the mainland.

WORLD TRADE NEWS

Chevron to learn fate of Kazakh venture 'in month'

By David Dodwell, World Trade Editor

CHEVRON, the fourth biggest US oil and gas company, expects to learn within a month whether its long-delayed joint-venture plans to develop Kazakhstan's Tenghiz field will get the green light, according to Mr Ken Derr, the group's chairman.

"It will be a very high-risk deal from our point of view," Mr Derr said in London. "On the other hand, it is unique in terms of the size, and could have a meaningful impact for a company the size of ours for a very long time."

His comments come in the wake of a deal signed by Elf Aquitaine, the French oil group, to explore for oil in Kazakhstan. The former Soviet republic is understood to have potential reserves of almost 100bn barrels. Elf has said exploration costs could amount to more than $600m (£342m), with production targeted for 1995.

Chevron's plans to develop the Tenghiz field, one of the world's largest with total reserves estimated at 20bn barrels, and recoverable reserves of about 4bn barrels, have been severely disrupted by the upheavals of the past two years inside the former Soviet Union. Talks began three years ago, and went into top gear after Mr Mikhail Gorbachev, the former Soviet president, visited the US two years ago.

Two expert commissions set up by Moscow to examine Chevron's proposals called the terms of the deal into question.

The break-up of the Soviet empire led to the newly independent Kazakh government setting up a its own negotiating committee, with fresh proposals from Chevron being presented in autumn last year.

"In 1990, I said the deal would be settled by the end of the year. I said the same at the end of 1991. Now I have quit making forecasts," Mr Derr said. "All you can say is that there is nothing the country needs more than developments like this."

First the Soviet government, and now the Kazakhs, have sought foreign collaboration because of peculiar difficulties in developing the Tenghiz field: "It's a high pressure, high-sulphur, high-cost project, with a lot of gas recovery involved," Mr Derr added. Full development would involve total investments of up to $1bn.

The break-up of the Soviet empire has added complexity not just because of the confusion and disruption it has caused: pipelines from the field pass through Russia to the Black Sea and to Russian refineries. Any significant increase in output from the field would need new pipelines to be built across Russia.

Until the break-up, arrangements could be negotiated with a single Soviet entity: now, any joint venture set up between Chevron and the Kazakhs would have to negotiate with the Russian authorities over pipelines and access to ports and refineries.

Venezuela signs letters of intent for oil development

By David Lascelles, Resources Editor

CHEVRON of the US has signed letters of intent with Petroleos de Venezuela on development of heavy oil and other opportunities in the country.

The signing, which comes only two weeks after an abortive coup attempt in the Latin American nation, provides for the creation of joint study teams.

They will make recommendations for upstream and downstream activities, as well as on potential for the transfer of technology.

Mr Kenneth Derr, Chevron chairman, said: "We are pleased to take this important step by joining forces with Venezuela in further developing its tremendous oil reserves".

Canadians to lobby for non-tariff barriers

By Bernard Simon in Toronto

A DELEGATION of Canadian cabinet ministers and farm leaders arrives in Europe today, hoping to win sympathy for the non-tariff barriers which protect Canadian poultry and dairy farmers.

These barriers are threatened by the Uruguay Round trade liberalisation talks within the General Agreement on Tariffs and Trade (Gatt).

Ottawa recognises that, except for Japan and South Korea, its supply-management system has little backing in Gatt.

But vigorous lobbying by farmers has forced the government to put on a display of opposition to the Uruguay Round proposals, which would replace import and production quotas with tariffs.

Mr Michael Wilson, trade minister, who is leading the group to various EC capitals and Geneva, told parliament Ottawa would defy Gatt's early-March deadline for tabling its final negotiating offers on supply-managed products, including milk, eggs, butter, cheese and chickens.

Mr Brian Mulroney, Canada's prime minister, told farmers earlier this week that "marketing boards are unique, they work, and why should we give them up?" He promised to "fight day and night non-stop on behalf of the boards".

Thousands of dairy and poultry farmers are expected to demonstrate in Ottawa tomorrow in support of continued protection. The dairy industry has mounted a newspaper advertising campaign to win public support.

The supply-management system has put Ottawa on a political tightrope in the Uruguay Round.

It has strained Canada's relations with other members of the Cairns group of food-exporting countries which are seeking elimination of non-tariff barriers.

The government has also faced the dilemma of balancing demands of dairy and poultry farmers for protection with the drive by hard-pressed grain farmers for liberalised trade in farm products.

US, EC set deadline in Airbus subsidy row talks

US AND EC negotiators yesterday began a second day's talks to resolve their long-running differences over Airbus Industrie subsidies with one point already agreed: the issue must be settled by March 31, Nancy Dunne reports from Washington.

Failure, after years of transatlantic bickering over Airbus, could mean unilateral action by US companies under Section 301 of 1988 US trade law; a complaint under the countervailing duty statute is considered most likely.

The US trade representative last year brought two cases to Gatt and won one. A dispute settlement panel condemned German exchange-rate support for Deutsche Airbus, the German partner in the four-nation consortium. An EC proposal submitted last October to return to bilateral negotiations was accepted after Christmas.

"The open question for any industry thinking about filing a (domestic) case is when do you reach a point that that option is preferable to letting events continue on the point that they are now on?" said Mr Bob Robeson Jr, vice-president for civil aviation of the Aerospace Industries Association. He would not confirm the industry's intention, but

Airbus competition has been gaining ground

McDonnell Douglas has been losing ground to Airbus competition and has turned to Taiwan for a partnership and new capital. The industry, Mr Robeson said, "prefers a negotiated settlement with effective disciplines and a deal acceptable to both sides."

The focus in the talks has been on the level of subsidies to be allowed for aircraft development. The EC has offered to cap such subsidies at 45 per cent. The US has sought 25 per cent. But further complications remained, Mr Robeson said.

The US industry is insisting that terms and conditions of repayment represent as closely as possible the commercial markets. The EC wants a royalty-based scheme, the US either a normal repayment stream or uniform stream of royalty repayments with guarantee of repayment at the end.

Transparency has become a great "sticking point", Mr Robeson said. The US wants to know enough about deals to ensure that the EC is meeting its commitments. EC officials argue too much transparency would release commercially sensitive information.

Australia and NZ face up to closer links

Differences are emerging in the approach taken by each country, writes Kevin Brown

AFTER nearly a decade of economic convergence, Australia and New Zealand are starting to face a series of uncomfortable questions about the goals of their 1983 agreement on Closer Economic Relations (CER).

Both sides are playing down the significance of talks due to begin next month between Mr Philip Burdon, New Zealand's trade minister, and Mr John Kerin, his counterpart in Canberra.

But the success of CER has stimulated a debate on whether the convergence process should eventually lead to a single market, a common currency, and even political union. The immediate aim of CER was to remove artificial barriers to trade between the two countries, which have developed separately for most of this century in spite of their shared language and culture.

Progress was slow at first, but by mid-1990 all bilateral tariffs and import and export curbs had been removed, together with export incentives, production subsidies and anti-dumping legislation. Also, free trade has been set up for a wide range of services, and public sector contracts in both countries are open to tenders from companies in either.

The changes stimulated average growth in merchandise trade of 14 per cent a year between 1983 and 1990/91, from A$1.3bn (£550m) in 1983 to A$4.7bn. Trade in services, still subject to some curbs, was worth a further A$2.3bn in 1989/90. The Australian Bureau of Industry Economics estimates New Zealand has done eight times better out of CER than Australia, mostly because of its increased access to the Australian market.

New Zealand's merchandise trade with Australia is now in balance, against a 3:1 imbalance before 1983, and Australia is its largest trading partner and source of foreign investment. Australia has gained less obvious benefits from access to the New Zealand market, but New Zealand is its fourth largest trading partner and source of foreign investment.

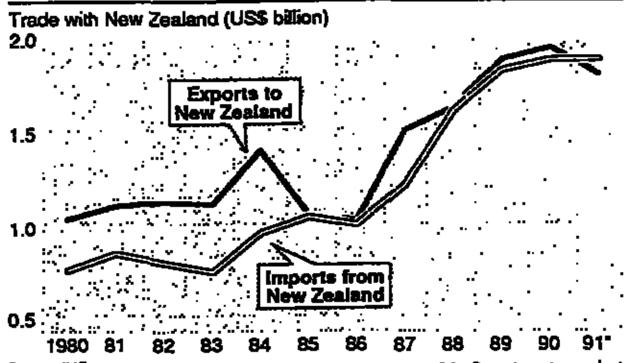
Both countries say the forthcoming review of the accord will be restricted to detailed discussion of specific problems, notably trade in services. New Zealand will urge abolition of trade union restrictions which limit competition on the Tasman Sea shipping routes, and for a joint aviation market, benefiting Air New Zealand.

Wellington is keen to iron out discrepancies between the two countries' customs and quarantine services, and recognition of professional standards. Australia's priority is removal of impediments to trans-Tasman investment caused by differences between the two countries' taxation and corporate law regimes.

Canberra officials say businesses in both countries are seeking changes allowing creation of more trans-Tasman companies such as Goodman Fielder Wattie, the foods group, and Fletcher Challenge, the resources and construction group.

Australia

Trade with New Zealand (US$ billion)



Source: IMF * 1st 3 quarters at annual rate

But differences are emerging in the approach taken by the two countries, mainly over the Australian pursuit of harmonisation, which New Zealanders tend to see as a threat to sovereignty. "Harmonisation is not the word to use in this relationship," says Mr Burdon, who prefers to see the process as a search for "complementarity" between two systems with a common British root.

Mr Burdon says the CER process has been of "enormous importance" to New Zealand, mainly in the light of the long period of slow growth caused by extensive structural economic change since 1983. But the government is anxious not to raise expectations about the current round of talks, which it says do not involve discussions on the kind of "grand vision" which started the process eight years ago.

"We intend to go a lot further, but this particular review is strictly nuts and bolts. In some respects, CER had got ahead of itself, and we need to sort that out," Mr Burdon says. This relaxed approach is echoed in Canberra, where Mr David Richie, director of the foreign affairs department's New Zealand section, recently pointed out that 95 per cent of Australian trade is with countries other than New Zealand.

"In other words, it would be silly for both governments to approach CER with the overriding objective of creating a single market of 20m people in Australasia," he said. Nevertheless, Australian officials expect pressure for closer links to continue to mount, particularly from the business sector, which increasingly regards the two countries as a single market.

Mr Len Bayliss, a former New Zealand Treasury economist who now runs a Wellington consultancy, says New Zealand has already progressed well down the path to economic union, which he claims has "huge silent support" from business. As evidence, Mr Bayliss points to the listing of most of New Zealand's larger companies on the Australian Stock Exchange, and the participation of New Zealand ministers in most of Australia's federal/state ministerial conferences.

"New Zealand is becoming a *de facto*, if not a *de jure*, state of Australia," he says. "Sydney has become the financial and economic centre of the region, and the reduction of tariffs and import controls is going to continue making that more noticeable."

So far, there has been little detailed consideration of how further economic integration could be carried out, although the Reserve Bank of New Zealand has pointed out that difficulties could arise in linking the NZ dollar to Australia's commodity-driven currency.

Mr Burdon says the government is not ideologically opposed to a common customs area and a common currency, if clear benefits could be demonstrated, but sees no advantages in political union. "There has been no demand for it in the last 91 years. Why would we want to change now?" he says.

Government announces defence orders

By David White, Defence Correspondent

A £500M package of defence orders including new trainer aircraft and missiles for the RAF was announced by the government yesterday.

The news, which caught contractors by surprise although several of the orders had been long awaited, followed confirmation last week of plans for naval ships for amphibious operations, also worth some £500m.

Both announcements appeared to be aimed at offsetting the negative publicity caused by recent job losses in the defence industry including at British Aerospace (BAe) and naval shipyards.

BAe, the main beneficiary of the new orders alongside Westland, yesterday announced preliminary 1991 figures showing a loss of £81m after restructuring charges of £235m. This compared with pre-tax profits of £376m in 1990.

The largest of the orders announced in the House of Commons by Mr Alan Clark, defence procurement minister, is for 13 two-seat trainer versions of BAe's Harrier jump-jet, estimated to be worth more than £200m.

BAe will also gain from an order to replace an estimated 100 Alarm missiles which were rushed out to the Gulf a year ago and used against Iraqi radar installations.

In addition, the government plans to convert the RAF's remaining five VC10 transport aircraft so that they can be used as tankers for in-flight refuelling. The work is expected to be done at BAe's Filton site near Bristol.

A BAe-led team is also to carry out studies for a number of Skynet military satellites to be launched in 1997. This is expected to involve two satellites with communications designed for a Nato Rapid Reaction Corps.

BAe's main sub-contractor for this project is Matra Marconi Space, an Anglo-French joint venture.

Mr Clark said negotiations were also underway with BAe to install new defensive aids for RAF Tornado F3 fighters.

Westland, the Yeovil-based helicopter company, has meanwhile been promised orders valued by the company at £70m-£75m. These include six Sea King helicopters for RAF search-and-rescue duties, worth some £50m. Westland has been waiting for this order for about two years. The order, which it hopes will be extended with a further three helicopters, will enable it to re-open it Sea King production line and offer the aircraft for export.

The company will receive further work estimated at £20m to upgrade Royal Navy Lynx helicopters.

Mr Clark said the orders were within the government's existing defence spending plans.

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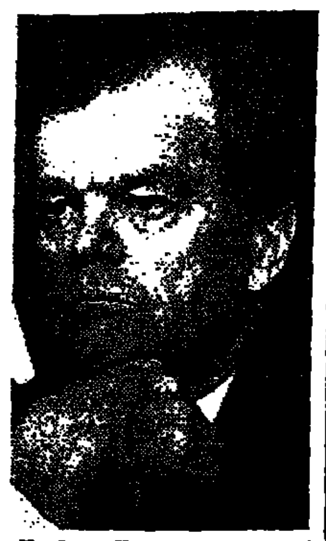
BAe results, Page 13;
Details, Page 21



Clark: 'talks are underway'

Labour attacks Tory handling of British economy

By Ivo Dawnay, Political Correspondent

A HIGHLY-CHARGED foretaste of the general election campaign set pulses racing at Westminster last night when a ferocious Labour assault on the government's economic record met a spirited counter-attack from Mr Michael Heseltine, the environment secretary.

Amid fierce barracking from the government benches, Mr John Smith, Labour's chief finance spokesman, charged the Tories with blaming foreigners for their failures and being "unwilling and incapable of moving the country out of recession".

But his attack was brushed aside by Mr Heseltine, who has been thrust into the centre of the pre-election campaign by the Conservatives. He claimed that the Labour leadership was divided on how to respond to the downturn.

Against the mounting election fever at the House of Commons, the recession debate had been widely anticipated as a "clash of giants" – and the forecasts proved correct.

Mr Smith used his opening speech to review the government's pledges of an early economic upturn. He went on to pour scorn on claims that recovery had been halted by an international recession.

Earlier explanations from ministers that the causes of the recession were rooted in such factors as deregulation of the financial sector were proof that its was "home-grown, domestically caused and without a hint of a foreign bacillus", he said.

Ignoring the charges, a relaxed Mr Heseltine countered that the key issue was not the cause of the downturn, but how to respond to it. To the delight of his backbenches, he went on to cite newspaper reports of divisions within the Labour leadership.

"This debate started off as a vote of confidence in the government's economic policies," Mr Heseltine said. "It has rapidly become a vote of confidence in the shadow cabinet."

The environment secretary's light-hearted teasing of the Labour frontbench provoked outrage from the opposition, but clearly raised morale among Tory MPs who described his speech as a "vintage performance."

Earlier in the day, Labour had stepped up its assault on the Tories' economic record when Mr Smith, claimed the government had cost every household £2,200 last year alone. The figure – centrepiece of a new document entitled 'The Cost of the Conservatives' – came as a clear response to the Tories' recent poster campaign alleging Labour would raise taxes by an average of £1,000 per taxpayers.

It is based on a calculation that the government's "economic incompetence" had delivered the worst growth record since the war, resulting in the UK economy foregoing some £50bn in gross domestic product last year.

Sitting beneath a poster of Mr Norman Lamont, the chancellor of the exchequer, in a stocking mask alongside the slogan "You've been robbed", Mr Smith told a Westminster news conference that "everyone now knows" Britain was suffering the deepest recession since the 1930s.

He said the £50bn GDP shortfall represented the gap between a 2.5 per cent average growth trend, established from 1955 until 1979, and the "miserable" 1.7 per cent annual growth actually achieved.

Mr Smith said that he would defer some detailed tax decisions to his first Budget after Labour's anticipated election victory. He stressed that a plan to finance for higher child benefit and pensions by lifting the ceiling on National Insurance Contributions (NICs) and a 50p tax top rate of income tax rate would remain a pivotal part of his party's strategy. But he left open the question of whether the tax and NICs increases might be phased in and where exactly the new top rate would begin to bite.

He will unveil a more detailed exposition after the Budget and it will include calculations of how Labour would use money allocated to a cut in the basic rate of income tax.

Senior members of the shadow cabinet last night sought to dismiss suggestions that Mr Smith was under pressure from colleagues to abandon or defer tax increases because of the depth of the economic recession.

There is, however, concern among some Labour MPs that the Budget should be followed by a simple package to demonstrate clearly that the vast majority of voters would not face higher bills.

The Conservatives, meanwhile, plan to return to the offensive on taxation later today by highlighting Labour's plans to impose NICs on the income from savings of over £30,000.

John Smith launches Labour's latest anti-government poster. It depicts Norman Lamont, the chancellor, as a crook

Intelligence service told about Iraqi 'supergun'

By Neil Buckley

BRITISH intelligence received two separate warnings about the Iraqi "supergun" project six months before British-made components for the gun were seized, MPs heard yesterday.

Mr Stephan Kock, a former non-executive director of the British defence group Astra Holdings, told the House of Commons trade and industry committee that he had notified the security services in September 1989. He learned of contracts to supply propellants for the supergun during a visit to Belgian munitions company PRB, which Astra had recently acquired.

Concerns were also voiced in 1989 by Mr Gerald James, Astra's chairman at the time, and Mr Christopher Gumbley, the company's chief executive, at a meeting with Ministry of Defence officials.

The MoD has written to the committee refusing a request for the two officials involved to give evidence, on the grounds that both have "retired" and no longer have access to MoD documents.

In April 1990, a week after a consignment of steel tubes for the supergun were seized by customs officials at Teesport in north east England, Mr Nicholas Ridley, then trade and industry secretary, told parliament that the government only "recently became aware in general terms" of the Iraqi project.

Mr Kock, who also worked as a consultant for Midland Bank's defence equipment financing department, denied any link between that role and his work at Astra. He also denied allegations that he had known earlier of the propellants orders, and visited Iraq to arrange financing by Midland.

Earlier, Mr Christopher Gumbley talked publicly for the first time about a meeting with Dr Gerald Bull, the Canadian scientist who headed the supergun project, only hours before Dr Bull was shot dead by an assassin outside his Brussels flat.

Mr Gumbley, who had been arrested the previous week by Ministry of Defence police on corruption charges, said Dr Bull told him he believed the Astra executive was being "set up" by the British government and PRB's former parent, Société Générale de Belgique, and offered to fund his defence.

European approach to HDTV criticised

By Michiyo Nakamoto

THE European approach to high definition TV (HDTV), the next generation of television technology, was strongly criticised by a leading US media executive as "a consumer marketing nightmare, doomed from the outset."

Mr John Flaherty, senior vice president (technology) of CBS, the US media group, yesterday told the FT Conference on "Television of Tomorrow" that the European decision to adopt a step-by-step introduction of full HDTV into the market place would confuse the consumer. Its choice of an HDTV standard that is compatible with the existing television system would not optimise HDTV performance and would tie the new technology to an old system, he added.

"Forcing compatibility on a new HDTV service simply burdens it with the constraints, artefacts and obsolete designs of today's ageing systems," he said. The US and Japan, by contrast, will switch directly to HDTV systems and are introducing standards that are incompatible with existing conventional TV standards but offer optimum performance.

Mr Flaherty further urged Europe to move toward all-digital HDTV systems, which is already being tested in the US. The theme was repeated by Mr Chris Jenkins, of PA Consulting Group, who urged Europe to adopt an HDTV policy that recognises the strategic importance of digital technologies.

The EC directive which was adopted by the European Parliament on Tuesday does not cover fully digital broadcasting although Dr Joan Majo' Cruzate, adviser *"Hors Classe"* to the DGXIII European Commission, indicated that digital broadcasting will be regulated by the next directive due by around 1994.

Warning issued on future size of UK coal mining industry

By Juliet Sychrava

BRITISH COAL's sales to the electricity industry could drop from 65m to 25m tonnes by 1996, Mr Malcolm Edwards, the company's commercial director, told the House of Commons energy committee yesterday.

This was because of the threat to coal-fired power stations from the many new gas-fired power stations being built in England and Wales.

The sales cut would force British Coal to reduce the number of pits from about 50 to even less than the 14 that NM Rothschild, the government's advisers on the British Coal privatisation, have estimated would survive.

Mr Edwards said coal imports, the subsidised nuclear industry, and other fuels were also threats to British Coal. If the government would remove the advantages these other fuels enjoyed, British Coal could still win a five-year contract to sell 50m tonnes of coal to the electricity generators.

His comments coincided with fresh speculation that National Power and PowerGen, the electricity generators, will soon announce contracts with Associated British Ports to build Britain's largest coal import terminal.

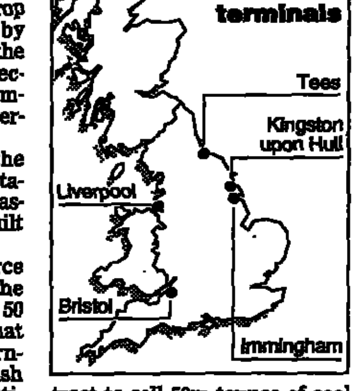
John Brown, the engineering company, is said to be a strong candidate for one of the two main contracts to build the jetty and coal-handling facilities at Immingham on the north east coast of England.

The £150m project, expected to open in 1994, is seen as a blow to British Coal.

Mr Edwards, meanwhile, said British Coal could help itself by cutting costs and prices to the electricity industry. But he said the price should not fall below £1.60 per gigajoule, compared with £1.85 today.

Although imports were only around £1.35 per gigajoule, UK coal offered better security without exchange rate risk, he claimed.

It was unlikely that British Coal would lose all its sales to gas and imported coal. "I'd say the centre of gravity for demand for British Coal was closer to 25m tonnes," he said.



SCOTLAND

Finance sector wary of devolved parliament

By James Buxton

LEADING Scottish financial institutions indicated yesterday that they have strong misgivings about the possible effects on their business of a devolved Scottish parliament of the kind proposed by the opposition Labour Party and the centrist Liberal Democrats.

Their views will fuel the debate in Britain about devolution which is likely to be an important issue when Mr John Major, the prime minister, calls a general election within the next four months. The Conservatives oppose devolution for Scotland.

Almost all the institutions believe devolution would be of no benefit to the sector, and most think it would be damaging. A small minority thought a Scottish parliament would bring benefits if it adopted fiscal and legal policies that helped Scottish business.

Their views are expressed anonymously in a survey of leading members of Scottish Financial Enterprise, the trade association to which most members of the Scottish financial community belong.

It was carried out by Professor Andrew Bain of Glasgow University, but did not address the possibility of Scotland becoming independent.

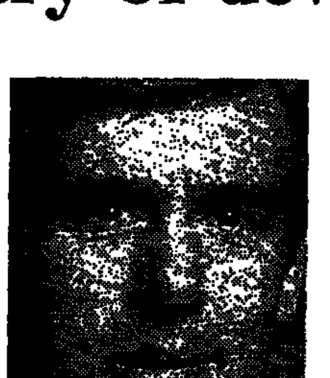
Prof Bain circulated all 230 members of SFE with an analysis of proposals for a devolved Scottish parliament. He followed it with detailed discussions with 25 leading institutions, including banks, life assurance companies and independent fund managers, who account for the bulk of the Scottish financial community in terms of employment and funds under management.

Mr James Scott, SFE's executive director, said the consultations had been with the larger institutions because they were the main ones which operated on a UK-wide basis.

The Scottish financial sector makes up 15 per cent of Scottish gross domestic product and employs 187,000 people, nine times as many as traditional industry.

Prof Bain said the leading players feared that:

- they would face higher operating costs because of the taxes which a Scottish parliament would levy.
- there would be resistance to Scottish financial products aroused by resentment about devolution among customers in England.
- devolution would be seen as a step towards Scotland becoming independent, which would frighten their customers.
- a Scottish parliament would be more left-wing than the government in London.



Murray: fears devolution

Under Labour's proposal, a Scottish parliament would be able to "vary" the rate of income tax levied in Scotland up or down. If this resulted in higher taxes, the financial institutions fear, staff would ask for higher pay, and it would be more difficult to recruit high-powered staff from outside Scotland.

But the political effects of devolution aroused the most concern. Scottish financial institutions feared that English people would say that the Scots were getting a better deal than themselves, both having their own parliament and still receiving subsidies. This, Prof Bain said, might discourage "private individuals, trustees of pension funds and independent financial advisers (IFAs)" from directing business to Scotland.

The worst fear was that devolution would be seen in England as a staging post to independence. This would particularly affect the life assurance sector, which gets 90 per cent of its new business from south of the border.

Prof Bain said: "An English financial adviser might say to someone thinking of taking out a life assurance policy: do you really want to put the bulk of your life savings into a company which might become subject to the tax regime of a foreign government? Why not go to the Norwich Union?"

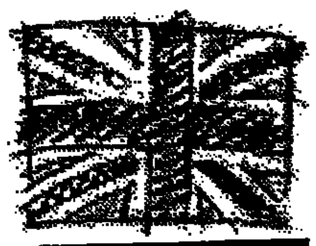
But the arguments were not fully borne out by senior figures in the Scottish financial establishment yesterday. Mr Malcolm Murray, chief executive of Scottish Life and chairman of the Associated Scottish Life Offices, said that the life assurance sector's main fear was independence.

"There are not too many fears on devolution at this stage. If [a Scottish parliament] went too far on taxation it would be hard to get good staff. But if anyone was pushing for independence it would cause problems.

"I know in theory the EC market is opening up. But in practice it will be a long time before cross-border selling of life assurance works smoothly."

Mr Gavin Gemmell, senior partner of Baillie Gifford, the fund managers, said: "Our view is that we could live with devolution though we'd be happier with the status quo. It would be like another layer of local government. If taxes were higher in Scotland it would make a marginal difference to recruitment. But independence would be much more damaging with completely different taxes."

BRITAIN IN BRIEF



Rise in food prices boosts retail sales

Increased food sales led to a modest rise in high-street sales last month, although the volume of sales in other sectors remained flat or declined.

Figures released by the Central Statistical Office showed that retail sales volumes in January rose by a seasonally adjusted 0.4 per cent compared with December last year following a 0.9 per cent monthly decline in that month. The latest figure gives a year-on-year increase of 0.9 per cent.

Food sales rose by 3.5 per cent on the month, but the volume of clothing and footwear sales fell by 0.9 per cent and household goods sales, which had improved in December, fell by 4.3 per cent.

Parties launch high-tech plans

The Labour and Conservative parties have put forward similar proposals to "bridge the gap between academia and industry" by creating a national network of technology development centres.

The government scheme will start in the academic year 1992/93 with a £2m pilot project, involving five partnerships between higher education institutions and industrial research organisations.

Labour's plan calls for the creation of a national network of Newton Institutes, each specialising in a particular branch of science or engineering.

Doubts cast on EC energy plan

The government doubts that the energy-saving measures being proposed by Brussels will be sufficient to meet the EC's objectives of reducing fuel consumption and lowering harmful emissions.

It believes the EC would be wrong to go ahead with its carbon tax proposal unless other countries take similar action too. Instead, it lays stress on action to conserve energy at a national level.

The UK's sceptical position is outlined in a joint report by the departments of energy and the environment, and the treasury to the European Communities Committee of the House of Lords which is holding hearings on energy today.

The report says many of the EC's proposals are still too vague to permit firm judgments to be made.

Companies have to review costs

Many British companies thought the UK recession would be short lived and have found it necessary to review costs in the past year, according to a survey by KPMG Management Consulting.

The study, based on a survey of 50 large companies, showed that 83 per cent have undertaken a one-off cost reduction exercise in the last 12 months, compared to 30 per cent in the previous year.

Scrutiny call on accounts

Senior accountants are calling for companies' preliminary announcements, which contain basic information on full-year results, to be scrutinised by auditors.

The move comes after questions over the reliance placed by the financial markets on figures which have not been verified by an external source.

Threat of car strike recedes

The likelihood of strikes taking place at Vauxhall, the General Motors subsidiary, has diminished after members of the AEU engineering union at the Luton manufacturing and parts plants voted against staging them.

Although all unions at the company's other plant in Ellesmere Port, Merseyside, voted for striking, it is unlikely that union leaders would sanction stoppages which do not involve all workers at all sites.

Demand for housing wanes

The big rise in housing demand experienced at the beginning of this year already may be running out of steam, according to a survey of more than 100 estate agents published today.

The survey by the Royal Institution of Chartered Surveyors found that the government's attempt to stimulate the market, with its moratorium until August on stamp duty on purchases under £250,000, had increased inquiries but had generated few sales.

Art exports blocked

Arts minister Tim Renton has stopped export licences for five major art and antique works including a Titian masterpiece sold for nearly £8m last year. He has delayed the licences until after April 13 to allow galleries to raise the funds to keep the items in Britain.

Benetton faces advert ban in UK

Luciano Benetton, one of the founders of the Italian clothes maker, yesterday defended the company's latest poster advertising campaign, featuring a dying AIDS patient. Speaking in London, he rejected suggestions that it exploits human suffering. But Britain's Advertising Standards Authority said all but one of the images would probably break its code. Other photographs in the campaign include three women beside a sheet-covered corpse lying in a pool of blood. Benetton's said its policy was "to move from using advertising to promote a product, to the promotion of greater social awareness." Picture by Trevor Humphries

MANAGEMENT: Marketing and Advertising

Broad brush to sell Lautrec in Paris

Alice Rawsthorn inspects the walking sticks, gloves and dinner plates on offer at the Grand Palais

When the Grand Palais staged a retrospective of Paul Gaugin's paintings three years ago, people stood shivering in the Paris drizzle for three or four hours as they queued to get in.

Anxious to avoid another round of rain-drenched visitors, the Grand Palais has adopted a different strategy for its next big retrospective the Toulouse-Lautrec exhibition, which opens on Saturday.

The Lautrec is the first important French art exhibition where the tickets have been sold in advance. For weeks, the streets and subways of Paris have been plastered with posters of one of Lautrec's least sleazy scenes of *fin de siècle* Parisian low life with the slogan, *"Reservez"*, slapped across in red.

Bookings began in November. So far, more than 50,000 individual tickets have been sold and all the 31,500 group tickets have gone. The Lautrec show is almost certain to be a sell-out.

Advance booking is one of a number of marketing ploys harnessed by the Grand Palais for the Lautrec, an expanded version of the recent retrospective at the Hayward Gallery in London. The exhibition is one of the most ambitious, in terms of marketing and merchandising, ever staged in France.

Merchandising is already an established part of exhibition organisation in France, as in most other countries where museums sell catalogues, prints and postcards as souvenirs of their shows.

But the Lautrec retrospective sets new standards in the scale of its merchandising activity. The *Réunion des Musées Nationaux*, the body that runs France's big museums, has adopted many of the methods used for the recent Van Gogh retrospective in Amsterdam.

It hopes that, thanks to its merchandising revenue, the Lautrec will not only cover its costs, but produce a profit of around FFr15m.(£1.53m)

A huge white tent has been pitched outside the Grand Palais to act as a *"supermarché Lautrec"* throughout the exhibition.

The merchandise includes all the customary catalogues and T-shirts, but also runs to souvenirs evoking Lautrec's life and the world of the Montmartre *demi-monde* in the early 1900s.

In the tent, visitors will be able to buy anything from a FFr315 dinner plate festooned with a Lautrecesque flourish, to a FFr195 pair of gloves like those worn by Yvette Guilbert, one of his favourite models, and even a FFr1,200 replica of the artist's cane complete with a secret phial which could secrete two glasses of wine, or, if it was still legal in France, demon absinthe.

The *Musées Nationaux* has modelled the marketing of the Lautrec show on the methods developed by the large US art galleries.

The Museums of Modern Art in New York and Los Angeles and the Metropolitan Museum in New York were among the first to present exhibitions to the public in a populist way.

Toulouse-Lautrec lends himself perfectly to populism.

The story of the sickly, absinthe-addicted artist, who left his gilded life among the French aristocracy to struggle on the fringes of the Montmartre arts scene, conforms to all the Hollywood clichés of the impoverished painter.

His pictures of prostitutes and their patrons are now among the best known examples of early 20th century art.

The Grand Palais expects the exhibition, which runs until the end of May, to attract at least 500,000 people.

However it hopes that the final tally might equal other popular Paris retrospectives, the Manet exhibition of 1983 which attracted 735,000 visitors, the Gaugin with 662,000 and the Renoir show of 1985 which holds the record of 790,000.

The final cost of researching, organising and staging the Lautrec retrospective should be about FFr15m.

The *Musées Nationaux* has already recouped a significant – though unspecified – part of that by roping in as sole sponsor Ferruzzi Béghin-Say, the French arm of Ferruzzi, the Italian industrial group.

For Ferruzzi, which began publicising its involvement at Christmas by sending out Lautrec catalogues as corporate gifts, the sponsorship offers a discreet opportunity to high light its commitment to France.

Toulouse-Lautrec on a plate in Paris: A Corner of the Moulin de la Galette

Dirty tricks between the TV dramas

When a speaker at a conference on advertising accountability* gives a paper called "24 ways to con a client" accompanied by "You gotta pick a pocket or two" from the musical 'Oliver!', fireworks are bound to follow.

Last week, John Terriss, vice chairman of the CIA Group, one of the UK's largest media buying agencies, delivered just such a paper. He claimed that some media buying agencies were increasingly resorting to dubious practices such as "slushing" – illicitly transferring funds from one client's account to boost the advertising spend of another – or, simply, to fabricating the sale of TV advertising space.

Even though Terriss is not a neutral player, his assertions must alarm advertisers given that some £1.6bn is spent annually on television advertising space in the UK.

His concern was less to attack malpractice but more to argue for greater auditing of media buying and advertising to boost the industry's credibility. His fellow speakers, both advertisers and advertising agencies, all addressed the same basic issue; how, in a recession, to ensure that money spent on advertising is worthwhile?

There was no consensus. One agency said it had jettisoned the traditional 15 per cent commission system in favour of one based more on payment by achieving pre-agreed aims. Advertisers disputed the value of using agencies; all demanded greater evidence of advertising's accountability.

Robert Lauterborn, principal of the transatlantic marketing services agency Morgan, Anderson, said: "Gone is the blind faith that advertising is good and lots of advertising is better; therefore, gone is the system that paid agencies simply to create and place that advertising".

**Advertising Accountability and the Client-Agency Relationship; organised by Westminster Management Consultants.*

Gary Mead

Stamp of authority on election addresses

David Owen reports that candidates have discovered the value of direct mail

Over the next few weeks you can expect more newspapers, letters and pamphlets to be pushed through your letter boxes than ever before.

The candidates in the general election have discovered junk mail, and this year's batch is going to be far more copious and more sophisticated than in any previous contest.

For one thing, it will be slickly and imaginatively produced, in some cases laid out like a tabloid newspaper, with fun little stories to catch the readers' attention.

It will also be accurately targeted, aiming to get maximum "bang for the buck". Greville Janner, Labour MP for Leicester addresses the Asian voters in his constituency in four different languages: Hindi, Urdu Gujarati and English to make sure that the right message is getting across.

Another MP is restricting material regarding a local maternity home to young couples.

And one Scottish MP aspires to send a personally-addressed letter to each of the 5,000-6,000 self-professed Scottish Nationalist Party supporters in his constituency.

The days when an MP's mind turned to direct marketing only once in an electoral cycle – in order to exploit the free campaign mailshot to which all candidates are entitled – are over.

There is a number of reasons for the rapid strides which have been made since the last general election nearly five years ago.

● First and possibly foremost is that typesetting and printing equipment capable of producing material of quite high quality is increasingly affordable.

According to Nigel Griffiths, the Labour MP for Edinburgh South, an entire package of printing equipment can be bought these days for less than £4,000.

Griffiths, one of Westminster's most diligent direct marketeers, undertakes "a great deal" of target and mass mailing "to show people I am not a blank slate".

Despite the additional expense, he says the Royal Mail has the edge over hand delivery in cases where guaranteed speed of dispatch or blanket constituency coverage is important.

● Commercial advertisers discovered direct marketing a long time ago; now MPs – especially those with connections in the the public relations and media fields – are realising how far they lag behind, and are starting to catch up.

In 1990, advertising expenditure on direct mail rose by 29 per cent to £979m, in a year when other forms of advertising were static.

● The direct marketing industry has begun to sell itself to the political parties. During the last two autumn conference seasons, it has mounted a road-show, designed to demonstrate how the principles which underlie good commercial direct marketing techniques can be applied to politics.

At these events, politicians and would-be candidates can become well-versed in the intricacies of Royal Mail discounts and list brokers, from whom directories of people with specified characteristics may be acquired.

"We explain how candidates should scientifically target their efforts by going to the waverers," says Jennifer Buhaenko, one of the road-show organisers. "Targeting is fundamental to good direct mailing."

In terms of content, the advice is to address the voter "as the person sitting opposite you" and to engage their attention by focusing on "what people are saying on the door-step".

Effective use of the medium can be labour-intensive, Buhaenko admits. But, she adds, general elections are a period when candidates can draw on the assistance of "lots of volunteers" for collating and delivery purposes.

TECHNOLOGY

Catalogue grows of IT woes

US and European information technology managers share a common headache: trying to find a match between their information systems strategy and their company's business goals.

The problem emerged as the central issue in surveys carried out last year by the US consultancy CSC Index among senior information systems executives at 444 US and Canadian organisations and 122 European companies.

The surveys reveal a worrying lack of co-ordination between IS departments and corporate planners. In the US, for example, 41 per cent of technology executives said they were insufficiently involved in the planning activities of their organisations.

The results of the survey*, now in its fifth year, also show a measure of disenchantment with the results of IT. Using IS for competitive advantage for example, a hot topic throughout the 1980s, has dropped to 11th place on the European managers' list of concerns and 14th on the US list.

At the top of the table in the US are bread-and-butter worries like re-engineering business processes through IT, creating an information architecture and utilising data. The Europeans are chiefly concerned about developing an IS strategic plan, and improving the quality of their IS staff.

The results confirm surveys which show the difficulty companies are having in extending efficient data processing – accounting and payroll, for example – to effective IT.

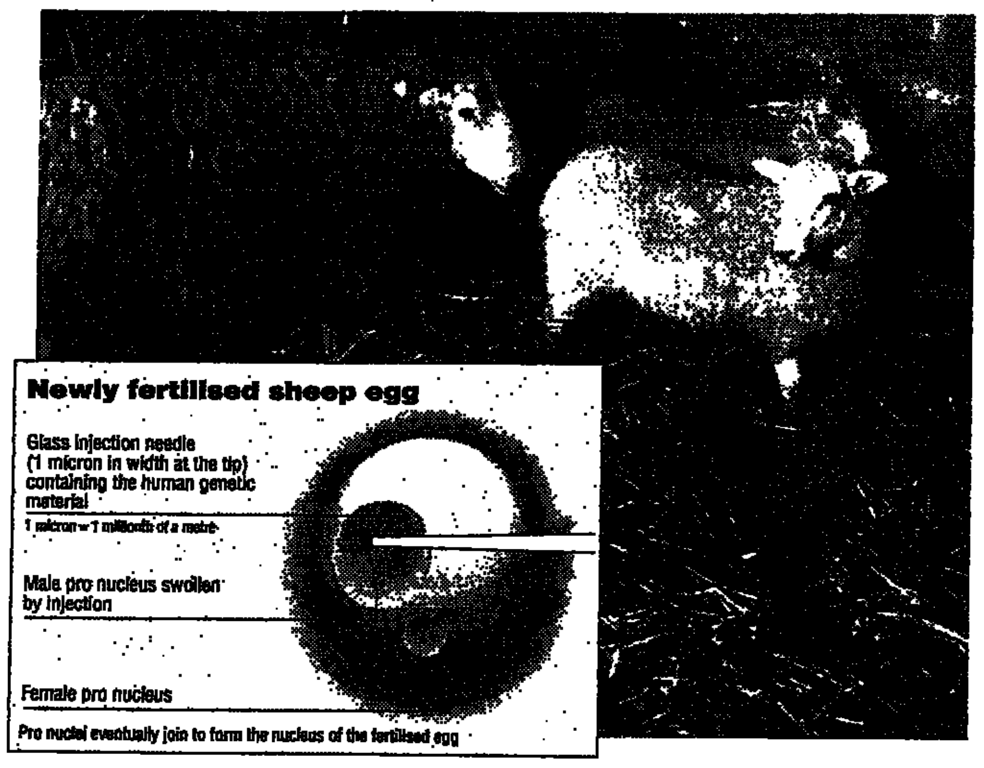
Data processing budgets will continue to be shaved as a consequence of the recession and pressure to produce a better return on investment. In Europe, average IS budgets are estimated to grow only 5.2 per cent this year compared with 9.2 per cent in 1991. In the US, comparable figures are 3.5 per cent and 5.3 per cent.

Alan Cane

**Critical Issues of Information Systems Management for 1992, available free from CSC Index, Butler Cox House, 12 Bloomsbury Square, London WC1A 2LL.*

Transgenic animals are providing humans with a variety of valuable proteins, writes **Daniel Green**

Man in sheep's clothing



In the space of a few thousand years, animal breeders have genetically engineered wild dogs into pugs, Pekinese and pit bull terriers. But this week the idea of changing animals to please humans took its first step towards becoming a high-technology industry.

Bayer, the German chemical giant, is paying £10m to a Scottish company, Pharmaceutical Proteins, for the right to use a medically valuable protein produced in the milk of a sheep called Tracy. She was genetically engineered in a laboratory to make that protein.

The business even has a name: pharming, the use of genetically altered animals as biological factories.

The close study of DNA, the molecule which controls inheritance, means that the characteristics of an animal can be fine-tuned. Well-understood fragments of genetic material can be taken from one species and put into another. The result is a transgenic animal.

Tracy is a sheep like any other except that the combination of nutritious proteins that make up her milk contains one protein that no sheep has ever made before – alpha-1-antitrypsin (AAT).

Humans make AAT to control the growth of internal organs, but one in every 2,000 people does not make enough. In 10 per cent of these cases its absence leads to ever-larger holes in lung tissue because an enzyme, normally held in check by AAT, is not functioning properly. Sufferers undergo long-term treatment for emphysema.

AAT is difficult to make in a factory and there is a world shortage. Bayer estimates that there are 100,000 people in Europe and North America suffering from AAT deficiency. With a herd of transgenic sheep, sales of AAT could rise to more than $100m (£55m) a year. It will take at least until 1997 for transgenic AAT to go through clinical trials and be approved by regulatory authorities.

There are many proteins that transgenic animals can produce:

● GenPharm in California is developing calves which produce the human milk protein, lactoferin. It is antibacterial and may help patients with weakened immune systems or be included in babies' milk. The infant formula market is worth $600m in the US alone according to stockbroker Lehman Brothers.

● Snow Brand Milk, a Japanese manufacturer of dairy products, has produced human growth hormone with a relatively high concentration – 0.1 per cent – in rat's milk. Snow Brand has said it expects to be producing drugs in such rats on a commercial scale within five years and marketing them in 10. The market for human growth hormone, today mostly made by genetically engineered bacteria, is already worth more than $500m a year. Transgenic Sciences of the US has also developed mice that make human growth factor in their milk.

● DNX of the US has transgenic pigs which produce human haemoglobin in their blood. DNX intends to file an "investigational new drug application" for a human blood substitute with the US Food and Drug Administration in 1993. This would allow human clinical trials to begin.

● The French National Institute for Agronomy Research has rabbits which secrete two human proteins into their milk. The proteins are Factor 7, for treating haemophilia, and the anti-anaemia drug, erythropoietin. The size of the Factor 7 market is difficult to estimate because of alternative therapies available for haemophilia. Erythropoietin is a more exciting prospect. The potential market size is $3.5bn by mid-1990s, according to Lehman Brothers, which would make it the biggest-selling drug in the world. It is currently made using genetically engineered mammal cells by Amgen of the US and Celltech of the UK for Johnson and Johnson, the US healthcare giant. Drug companies Bohringer Ingelheim and Chugai sell it in Germany and Japan respectively. Sales are already $700m a year.

● Pharmaceutical Proteins, the Edinburgh company which developed Tracy, is also working on producing another blood product, Factor 9, in sheep. The absence of Factor 9 causes Christmas disease, a rare form of haemophilia. The first sheep with the gene for making Factor 9 are due to be milked this spring. Pharmaceutical Proteins says the market is worth £40m a year worldwide.

● Genzyme, in the US, has goats making tissue plasminogen activator (TPA) which tackles heart disease by dissolving blood clots. The potential TPA market has been estimated at up to $500m a year, although other drugs perform similar functions and some companies are making TPA by other means. TPA sales are now less than $200m in the US and not growing. Volumes from goats are still small and Genzyme says it is at least five years away from commercial exploitation. A Japanese company has contributed a $7m research grant to Genzyme's work. Genzyme has also produced CFTR, which can treat cystic fibrosis, in mouse milk.

The process by which Tracy was created is relatively simple, although the techniques used are highly skilled.

Genes that instruct cells to behave in certain ways have two parts: the instruction and the timing switch/location indicator. The former tells cells what to do and the latter when and where to do it.

To make Tracy, scientists chemically isolated the part of the human gene that instructs cells to produce AAT. They did the same with the sheep gene that tells cells to make a milk protein called beta lactoglobulin (BLG).

The sheep gene's timing switch/location indicator was then separated from the BLG-making instruction and attached to the AAT-making instruction.

This compound gene was injected into the centre of a newly fertilised sheep egg using a microscopic hypodermic needle. In 2-5 per cent of cases, the compound gene became incorporated into the sheep egg, which was then put into a surrogate sheep mother in a manner similar to that used in *in vitro* fertilisation (test-tube babies) of human eggs.

Five months later Tracy was born with every cell incorporating a fragment of the human genetic material. The timer and the location indicator parts of the gene told her cells to produce the protein in her milk after she gave birth.

Genetically, Tracy is slightly human. And her offspring have a 50-50 chance of receiving this piece of humanity.

Milk production is especially suitable for commercial exploitation. It can be taken from the animal without ill-effects.

The only other method of producing many of these proteins is with animal cell cultures in vats. However, cultures are prone to contamination and need a delicately controlled environment to survive. Tracy comes complete with an immune system and temperature regulator.

Unlike sufferers from AAT deficiency, Tracy and her flock live in luxury. AAT costs $100 a gramme and Tracy makes up to 70 grammes in a litre of milk.

"These are valuable animals. They will lead cosy lives," says Ron James, the managing director of Pharmaceutical Proteins.

Robots set sail for Thamesport

By Paul Taylor

Two hundred tons of steel come to a precise halt, a hoist is lowered, the spreader locks on to a 40-foot container and winches it more than 100 feet into the air.

At first sight there is nothing particularly unusual about the towering cranes going about their business at the £140m Thamesport deep water container terminal on the Isle of Grain, the first purpose-built container port in Britain.

But these are "robot" cranes and they are being controlled and monitored not by a chunky mainframe, but by a desktop PC sitting several hundred yards away in the port's office block.

What is more, the computer knows the position of every container in the seven quarter-mile long 110-foot high "stacks". It uses magnetic swipe cards and radio modems to direct a truck driver to the right position to collect, or to deliver, a load.

Thamesport, which began operations in May 1990 and will have a capacity of 400,000 containers when the last of its three development phases is completed, is probably the world's most automated port.

On average 350 trucks enter the port each day and 85 per cent of them are inside the gates for less than two hours

Three years ago, when Thamesport was still in the planning stages, Keith Archer, Thamesport's business systems manager, was charged with developing an automated container port system which would provide a quick and efficient service with the minimum manning levels and cost. And, unlike conventional ports, it would permit the servicing of ships and haulage independently.

"I had to get it up and running fast," Archer recalls. Initially he looked for a packaged software system to control the port's complex administration, communications and cargo handling needs. He settled on a customised solution based on the Global 3000 Development Suite from TIS Software, a subsidiary of the Misys computer services group.

Working with Farnborough-based software house Advanced PC Products, Archer designed the main elements involved in the automation of the port, the back office administration system and port control system.

One of the most innovative features of the Thamesport's system is the control of remote peripherals. Using customised communications software, radio modems and swipe cards the system supervises the movement of all machinery within the port, including the five monster ship-to-shore "robot" cranes and the 14 gantry cranes, which unload the containers from the ships and then organise them into the storage stacks before loading them on to trucks. At the moment the cranes are still manned, but are expected to go fully automatic shortly.

Truck drivers entering the port to load or unload cargo are guided and monitored remotely by the system. System peripherals verify customs' clearance, photograph the container, direct the lorry to the appropriate gantry slot and print an itinerary of the driver's stay at the port. A swipe card identifies the truck and its load. On average 350 trucks enter the port each day and 85 per cent of them are inside the Thamesport gates for less than two hours.

The system also provides the communications facilities. Electronic data interchange, fax and telex message functions connect Thamesport with data processing systems at its customers, HM Customs and Excise, government departments, overseas ports, banks and insurers.

Despite the complexity of the port's operations Archer was able to get the system up and running within 15 months and incorporate additional hardware as the port's facilities have expanded. The core hardware cost £200,000 and Archer says the port could be run on three PCs, one for accounting and office systems, one for control and one as a back-up.

ARTS

CINEMA

Psychodrama turns soft

The Prince of Tides is a startling hybrid of a movie, a Freudian weepie in which syrupy melodrama and sombre psychoanalysis uneasily coincide. Based on Pat Conroy's bestselling novel, it tells the story of an emotionally impacted teacher (Nick Nolte) who travels from his native South Carolina to New York City to be with his twin sister after she attempts suicide. There, he forms a strained alliance with his sister's shrink (Barbra Streisand, who also directs) as they try to discover what caused the girl to slash her wrists. It soon becomes clear that Nolte, whose marriage and career are on the rocks, is just as badly in need of help as his sibling, sharing with her an emotionally crippling upbringing.

The remainder of the film involves Streisand leading Nolte through the swampy waters of his past, uncovering an abusive father, a neurotic mother, a Vietnam vet brother who dies in a shoot out with the police and, ultimately, a Big Traumatic Event that is the key to everything. Along the way, psychiatrist and patient fall in love, a relationship that deepens when it becomes clear that the doctor suffers from some pretty hefty psychic wounds herself. Together, they goad one another toward their respective cures, each prodding the other into facing themselves while providing a shoulder to cry on once the leap is made.

THE PRINCE OF TIDES
Barbra Streisand

RAISE THE RED LANTERN
Zhang Yimou

FATHER OF THE BRIDE
Charles Shyer

AFRAID OF THE DARK
Mark Peploe

UNE HISTOIRE INVENTE
André Forcier

Nick Nolte and Barbra Streisand in Streisand's 'The Prince of Tides'

Despite tons of earnestness and some fine touches, Streisand is never really able to balance the two very different currents at work in *The Prince of Tides*, making for choppy waters all the way. The sweet romance of the love affair seems distinctly at odds with the tension of the confessional sequences – the viewer is left reeling when Nolte and Streisand go from a combative therapy session to the corner table at a French Restaurant without even changing their clothes. Ultimately, something has to give. Not surprisingly, it is the psychodrama, as the last half-hour of the film abandons all pretence of being a carefully wrought study of the psyche's dark side to become a feel-good flick full of hugging, rainbows and reconciliation.

The movie's failure to sustain its early tone can be seen most clearly in Nolte's performance, which is robust, ironic and tortured for most of the film, yet evaporates after he gets his problems off his chest. It is impossible to believe that the complex, fiery character he plays at first can turn into a big, doughy palooka that easily. You feel cheated, as if the filmmakers were more interested in having a happy, healed-up ending than in maintaining the story's credibility. Tellingly, the film's best performances – Blythe Danner as Nolte's fed-up wife and Kate Nelligan as his social-climbing mother – occur when characters refuse to take the talking cure, when they retain an aura of ambiguity and mystery. Streisand would have done better to put less effort into trying to make her hero (and the audience) feel so good. After all, what makes for good psychiatry does not necessarily make for good drama.

★

Nobody tries to rescue the feelings of the main characters in *Raise the Red Lantern*, a bleak and beautiful film from China that depicts how the individual can be corrupted when living under a barbaric system. Set in the 1920s, it tells the story of Songlian (Gong Li), a 19-year-old student who is forced to leave her university studies to marry a rich old man. To make matters worse, her cold-hearted husband already has three wives, and Songlian is forced to submit to the horrific household routine in which he indicates his sleeping preferences for the night by lighting red lantern outside the chosen wife's residence. Needless to say, this system makes for pitched infighting among the women, conflict Songlian quickly becomes all too adept at, leading to a tragic finale of death and madness.

Director Zhang Yimou has moulded this dark, simple tale into a hauntingly resonant film. Starting slowly, he painstakingly accumulates mood and detail to turn domestic drama into full-blown tragedy. Yimou has an exquisite sense of menace, evoking it from such minutiae as the sound of a pair of shears as they cut hair. His snowy, insulated household is claustrophobic and ripe for tragedy, like some eastern Elsinore. The director is greatly aided by the remarkable Gong Li, who perfectly embodies the torment of a spirited woman forced to fight within the boundaries of a social system she knows will ultimately crush her.

★

Marriage of a more benign sort is the subject in *Father of the Bride*, a spiritless remake of the 1950 Vincente Minelli favourite. Steve Martin reprises the Spencer Tracy role as a father who is forced to run a gamut of emotions after learning that his only daughter wants to fly the nest. Martin struggles heroically in the lead, his face a map of bemused anguish and bittersweet pride as he tries to accept his daughter's impending marriage. Unfortunately, he is let down by the remainder of the cast, particularly the strangely detached Diane Keaton as his wife and the usually hilarious Martin Short, who squanders his role as the wedding coordinator by trying too hard for laughs. Director Charles Shyer is content to keep things as maudlin and innocuous as possible, stringing together a series of tired jokes and emotional clichés. The film's climactic sequence has all the poignancy and originality of a very expensive home video. People who cry at weddings might find something to like here, but for the rest of us it is like falling face-first into the cake.

★

Mark Peploe's *Afraid of the Dark* is a potentially fascinating study of a young boy's troubled mind that never really comes together. It tells the story of Lucas (Ben Keyworth), an 11-year-old who appears to be playing junior sleuth in order to protect his blind mother (Fanny Ardant) from a slasher who has been preying on blind people in his neighbourhood. It eventually becomes clear, however, that the boy's imagination is the motivating force behind the drama, fuelled by his own anxieties at the prospect of eye surgery.

You could see how this sort of dark psychodrama could have worked under the direction of, say, Nick Roeg, but Peploe, a veteran screenwriter, is insufficiently steady behind the camera to bring it off. His vision is too fragmented, too personal to entice the viewer. As a result, the film is torpid instead of moody, with surprisingly wooden performances by the usually useful James Fox and Paul McGann. The only real tension comes from a distinctly unpleasant suspicion that the boy might do injury to his baby sister with a knitting-needle.

Another film ill served by its maker's idiosyncratic style is André Forcier's *Une Histoire Invente*. Set in contemporary Montreal, it tells the story of a mother (Louise Marleau) and daughter (Charlotte Laurier) engaged in sexual competition for the attention of a ageing jazzman (Jean Lapointe), known rather incredibly as "the Don Juan of the trumpet". All the elements are in place for a witty farce – a potentially fruitful central plot that pits an ageing siren against her vampish daughter, supported by a host of crazy minor players, including a Bible bashing bassist and a sentimental cop who uses his handcuffs to bring lovers together. But Forcier is never able to establish a comic tone to the piece, veering wildly between gross caricature and stylised pathos, as well as trying to maintain a series of running gags that usually stumble and occasionally fall.

Stephen Amidon

Death and the Maiden, widely acclaimed as the play of the year when it first opened at the Theatre Upstairs, Royal Court last summer, has transferred to the Duke of York's theatre for an unlimited run. Ariel Dorfman's piece is about the transition from dictatorship to democracy in what looks like Chile, but could be almost anywhere. With Juliet Stevenson and Michael Byrne, above, and Bill Paterson. M.R.

Cumbre Flamenca

SADLER'S WELLS

Cumbre Flamenca is returned to Sadler's Wells, and that is sufficient news to send the faithful flocking as to a shrine. The production and the cast remain much as on previous visits – La Chana, she of the purring heels and headlong energies, is alas not with the group this season, though her replacement, Mariquilla, is a grand acquisition – and the cumulative power of the evening is as tempestuous as ever.

We go to watch Flamenco of this quality to be astounded by wild virtuosity from dancers, singers, guitarists. We also go, and this is the deeper reason, to see interpreters who become possessed by their art. Isadora Duncan's words after a transcendent performance were "The god was with me", and the preliminary half of each Cumbre Flamenca scene seems an invocation to the divinity who will, if all is well, then drive the artist onwards for the final intoxicating and intoxicated outburst – and this is as true of the musicians as of the dancers. It is fascinating to see the performers starting from cold, relying upon skill and savoir faire, and then becoming (or at least seeming to become) taken over by the style and the language of their art.

It is thus, at Tuesday night's opening, that we were first held by Niño del Tupe's tremendous guitar solo, in which he brooded over melody, probed and developed it, and drew us into his world as he caressed notes or spat them out at us. So, too, with the tiny, stalwart Mariquilla, starting her *Alegrias* on what looked like automatic pilot, and then gradually yielding to the urgings of singers and musicians as her legs flashed out and embroidered the dance's metre. At her best, at her most self-sacrificing, she generated a heady combination of spontaneity and exact rhythmic control.

The other dancer to take similar fire was Cristobal Reyes in an astonishing partnership with Pedro Montoya's clapping. The opening sequence was fine, and not a little cliché-ridden (whence the arched body, and the "You have insulted my sister" look), but when driven by – and echoing – Montoya's prodigious hand-claps, Reyes lost every predictable mannerism, and burned his way into the dance. Our applause was incense – the god was pleased – and the brilliantly controlled improvisations and variations goaded feet and limbs to fresh marvels.

An especial merit of Cumbre Flamenca is the varied talents and styles of the five dancers – three women, two men – and I salute the opulent manner of Angela Granados as she manipulated a train whose ruffles became an essential aspect of her art. By turns carapace and coils from which her body reared, as if to strike at us, her dress amplified every step. Juana Amaya is a traditional artist, and fine, but I find her most interesting when she appears at her angriest – stamping in solid, heavy movement; striding the stage and suddenly squatting into a step – and the dance becomes raw, dangerous.

There is nothing raw or dangerous about Antonio Canales' performances: these are polished, elegant, and alone among his colleagues he seems determined to remain in complete control of his dancing. Its gloss and bravura look oddly out of place in an evening in which we can still sense certain earthy truths about dance and our response to it.

Clement Crisp

Twyla Tharp and Dancers

CITY CENTER, NEW YORK

Even if Twyla Tharp were never to make another great dance, she would have already long been a symbol, an American success story and an icon of crossover. She is the 1960s experimentalist who in the 1970s choreographed for the Joffrey Ballet (*Deuce Coupe*, to Beach Boys music), for Baryshnikov and American Ballet Theatre (*Push Comes To Shove*) and for John Curry (*After All*); and who in the 1980s choreographed for the movie of *Amadeus*, for New York City Ballet and the Paris Opéra.

For many of us, though, she made her very best work on her own dance company. When that folded in the 1987-88 season, Baryshnikov took Tharp, those dancers who chose to follow, her repertory (and, it was said, her debts) into American Ballet Theatre, which he then directed. But only a season later Baryshnikov left ABT; and when her three-year contract there ended, Tharp left too, taking her dancers and most of her repertory with her.

Now (like Baryshnikov and his White Oak Project) Tharp is working with a pick-up group: i.e. a company that is hand-picked, rehearsed, sent out to perform on tour, and then disbanded. Twyla Tharp and Dancers (her old company used to be called Twyla Tharp Dance) was formed last autumn for an Ohio State University residency, where it rehearsed at length, learnt two new works (*Octet* and *Men's Piece*), several old ones, and then performed. On January 28 the troupe opened a two-week New York season at City Center; it has now gone on to Japan for three weeks, and there is talk of a European tour in the summer.

For the New York season, Tharp presented another new work, *Sextet*, and also *Grand Pas: Rhythm of the Saints*, a pas de deux she had made for the Paris Opéra last autumn. All four new works were warmly acclaimed by audiences; and, unlike many of Tharp's 1980s productions, all were economically produced and unobtrusively lit. Three of them were definitely ballet, with women on pointe and with turned-out legs; and they raise the questions that has kept growing larger ever since Tharp began choreographing for ballet companies: is she really classical? Can she, the great crossover choreographer, cross over the whole way?

If you can accept that there is much that is ballet that is not classical and – more important – much that is classical that is not ballet, then you can accept that Tharp was a classical choreographer before she ever came to ballet.

She says that *Men's Piece* is about the twist: which, she reminds us, in the late 1950s and the '60s tore men and women from each other's embrace. Will a man and woman be able to dance together again? She tries various solutions. The most exciting is a march for Tharp and all four guys, working together on equal terms, filling the stage with one great dance after another; and the most touching is an Astaire-type ballroom duet to Gershwin's "He Loves And She Loves", because Tharp shows not only the romance of bygone convention but also her mixed feelings about committing herself to that.

The point of *Men's Piece* was to let us know that she is going to go on experimenting. It was pleasingly unfinished, un-slick. A lecture-demo, a collection of sketches in progress, a life-in-the-day-of-the choreographer, it is a real grabbag work. No scenery; dancers in rehearsal kit. Tharp – baggy overalls over her dance gear, her mop of hair now elegantly grey – dances with her old lithe authority; and she talks – to her dancers, to the sound technician and to us.

Alastair Macaulay catches up with the latest Tharp company and works

Septet and *Octet* reaffirm my belief that no choreographer today is working in ballet with Tharp's command of the form's dance potential. (But then, these are bleak days for ballet.) *Sextet*, a Latin ballet for three couples, is set to a commissioned score by Bob Telson that mixes various Latin dance rhythms with a basic bubble-rock beat. Tharp's choreography, masterfully arranged round this, is a frothy carnival of steps, an audience pleaser, but strangely anonymous.

Octet, to a new rock-cum-classical music by Edgar Meyer, is more tentative, less amiable, more rewarding and more Tharpian. Its four couples – women in black leotards and shorts, men in black vests and trousers, all against a black backdrop – fuse ballet vocab. with streetwise, rock-related characteristics. The mood keeps changing – aggressive, floating, sportive, tense, ebullient – and one level of your mind floods with admiration just as another thinks "So what?" It is a remarkable work, but it is also Tharp saying "See what I can do." (Her Opéra pas de deux, *Grand Pas: Rhythm of the Saints*, is something one wishes she could not do: a smug Parisian joke about the standard classical ballet gala item.)

The season also featured five older Tharp works. *The Little Ballet* is one she made in 1983 for Baryshnikov to Glazounov music. Not even Balanchine made Glazounov sound so American and contemporary as Tharp does here: and she makes her hero look not princely but modern. I have never known a Tharp dance more limpid and open-hearted. Another '80s dance, *The Golden Section* (from *The Catherine Wheel*, 1981), was under-rehearsed, but *Nine Sinatra Songs* (1982), with its seven contrasting dance/love duets, was as overwhelming as when the Tharp company danced it at Sadler's Wells in 1983.

From the 1970s came the revivals of two pop pieces – *Ocean's Motion* (1975), a light bubblegum work to Chuck Berry songs, and *Deuce Coupe* – or, as Tharp calls her latest version, *Deuce Coupe IV*. The characters here are just kids, too; alongside the ballerina in white who, central to proceedings but removed from them, goes through her lexicon of steps. Everyone else is pop, swinging, rippling. The beauty – you can't miss it – is that she's Tharpian too. Pop and classical meet as equals.

Tharp's illustrious array of dancers gives new significance to the word "pick-up." They come from New York City Ballet, from downtown New York modern dance troupes, from the Paris Opéra, from Tharp's own former company; and several of them reached new highs in their careers. Here are just three: the exquisite Delphine Moussin, on leave from the Paris Opéra (she danced the *Deuce Coupe* ballerina with ravishing stretch and delicacy); Robert LaFosse, on leave from New York City Ballet (giving *The Little Ballet* his own boyish sweetness); and Jamie Bishton, virile and spontaneous, a true Tharpian who followed Tharp into American Ballet Theatre and, three years later, out of it again.

But the great wonder was to see them and their colleagues together on the same stage in the same choreography. True, this company will fold; true, these dancers will go their several ways. And yet this season was a happy one. It brought back something into the air that so many bygone Tharp seasons used to bring and that had been missing: optimism.

'Deuce Coupe': Allison Brown, Robert LaFosse, Stéphane Elisabé, Amy O'Brien

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 André Previn conducts the Royal Concertgebouw Orchestra in Jacob Druckman's Aureole, Schumann's Third Symphony and Dutilleux's Second, repeated tomorrow. Sat afternoon: Frans Brüggen conducts the Netherlands Philharmonic Orchestra in music by Andriessen, CPE Bach and Mendelssohn. Sat evening: Elly Ameling recital. Sun: Gerard Oskamp conducts the Royal Flanders Philharmonic Orchestra in music by Debussy, Prokofiev and Tchaikovsky (6718 345)

■ ATHENS

Concert Hall 20.30 Britten Quartet plays Brahms' three quartets Op 51 and 67. Sat: Deszo Ranki joins the Britten Quartet in performances of Brahms' Piano Quintet Op 34 and Trio for horn, violin and piano, with Antonis Lagos horn (722 5511)

■ BARCELONA

Gran Teatre del Liceu 21.00 Antoni Ros Marba conducts Roberto Gerhard's opera The Duenna. Sat: José van Dam sings arias in a programme conducted by Marc Soustrot (412 1466)

Palau de la Musica 21.00 Alexander Lazarev conducts the Bolshoy Orchestra and Chorus in music by Shostakovich and Prokofiev. Tomorrow, Sat and Sun morning: Garcia Navarro conducts the Barcelona City Orchestra in a programme of Falla and Mozart (268 1000)

■ BERLIN

MUSIC

Schauspielhaus 20.00 Carlo Maria Giulini conducts the Berlin Philharmonic Orchestra in Weber's Freischütz overture, Mendelssohn's Violin Concerto (soloist Salvatore Accardo) and Dvořák's Eighth Symphony, repeated tomorrow and Sat. Sun: Berlin Radio Orchestra plays Sibelius and Honegger (East Berlin 2090 2156)

Philharmonie Kammermusiksaal 20.00 Arturo Tamayo conducts the Ensemble Modern in music by Wolfgang Rihm. Sun: Philharmonic Piano Quartet plays music by Milhaud, Beethoven and Dvořák (West Berlin 8256 160)

Staatsoper unter den Linden 19.00 Les Contes d'Hoffmann. Tomorrow: Die Zauberflöte. Sat: Madama Butterfly. Sun: Der Rosenkavalier (East Berlin 2004 762)

DANCE

Komische Oper 19.30 Tom Schilling's production of Swan Lake. Tomorrow: Cav and Pag. Sat: Wolfgang Rennert conducts Die schweigsame Frau with Siegfried Vogel as Morosus. Sun: Georg Katzer's new opera Antigone oder die Stadt (East Berlin 2292 555)

Deutsche Oper 19.30 Triple bill of Stravinsky ballets: Balanchine's Agon and Béjart's Firebird and Rite of Spring. Tomorrow: Die Zauberflöte. Sat: Aida. Sun: Das Rheingold with Robert Hale as Wotan (West Berlin 3410 249)

■ BOLOGNA

Teatro Communale 20.30 Gianandrea Gavazzeni conducts Roberto Devereux, with Lucia Aliberti and Vincenzo La Scola. Also Sun afternoon (529999)

■ BRUSSELS

Théâtre National 20.15 Charleroi Dance Company in choreographies by Paul Taylor, Merce Cunningham and Karole Armitage, repeated tomorrow and Sat (217 0303)

Monnaie 20.00 Royal gala performance of Il barbiere di Siviglia conducted by Carlos Kalmar, with a cast including Alison Browner, Raul Gimenez and Laszlo Polgar (219 6341). Tomorrow in Palais des Beaux Arts: Leopold Hager conducts the Orchestra of Radio-Television Luxembourg, with Boris Belkin violin soloist. Sun and Mon: Ballet Stars of Europe (507 8200)

■ FRANKFURT

Opernhaus 19.30 Stefan Soltesz conducts Peter Mussbach's production of Ariadne auf Naxos, with Mechthild Gessendorf in the title role. Tomorrow: Kurt Weill's Mahagonny. Sat: Die Zauberflöte. Sun: La traviata (236061)

■ GOTHENBURG

Konserthus 19.30 Hans Vonk conducts the Gothenburg Symphony Orchestra and Chorus in Beethoven's Choral Fantasy and Ninth Symphony. Repeated tomorrow at 18.00 (167000)

■ LONDON

THEATRE

● Uncle Vanya: Ian McKellen, Antony Sher and Janet McTeer star in this new production of Chekhov's classic play, directed by Sean Mathias. Starts previewing tonight, Press night next Tues (Cottesloe, National Theatre 071-928 2252).

● Pygmies in the Ruins: Ron Hutchinson's first new play since the acclaimed Rat in the Skull is a thriller based on two murders in Belfast, and symbolises the fading hopes of people in the city. Directed by Eoin O'Callaghan. Previewing from tonight, Press night on Mon (Royal Court 071-730 1745).

● Becket: Derek Jacobi and Robert Lindsay still going strong as archbishop and king in Anouilh's play. This acclaimed production by Elijah Moshinsky is now in its final two weeks (Haymarket 071-930 8800).

● La Bête: a new American comedy by David Hirson, set in a larger-than-life version of Molière's France. Directed by Richard Jones. Runs till March 14 (Lyric Hammersmith 081-741 2311).

● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MUSIC AND DANCE

Covent Garden 19.30 Royal Ballet triple bill: Ashton's Scènes de ballet and Monotones, plus William Forsythe's In the middle, somewhat elevated with Sylvie Guillem and Laurent Hilaire. Sat: Don Giovanni (071-240 1066)

Coliseum 19.00 Ivor Bolton conducts Nicholas Hytner's ENO production of Xerxes, with Ann Murray in the title role, also Mon. Tomorrow: Königskinder. Sat: Street Scene (071-836 3161)

Royal Festival Hall 19.30 Richard Hickox conducts the RPO in Vaughan Williams' overture The Wasps, Chopin's Second Piano Concerto (soloist Peter Katin) and Tchaikovsky's Fourth Symphony. Tomorrow and Sun: Tennstedt conducts Beethoven. Sat: Charles Mackerras conducts an all-Elgar programme, with Robert Cohen soloist in the Cello Concerto (071-928 8800)

Queen Elizabeth Hall 19.45 Emma Johnson is clarinet soloist in a programme of Rossini and Boccherini with the London Festival Orchestra. Tomorrow: Nicholas Kraemer conducts Bach, Rameau and Vivaldi (071-928 8800)

■ NEW YORK

Avery Fisher Hall 20.00 Kurt Masur conducts the New York Philharmonic Orchestra in Franck's Les Eolides and Symphony in D minor, and Brahms' Second Symphony. Repeated tomorrow afternoon, Sat and next Tues (875 5030)

Carnegie Hall 20.00 Ivo Pogorelich piano recital. Tomorrow in Weill Recital Hall: Ransom Wilson plays Vivaldi flute concertos. Sat evening and Sun afternoon: Leonard Slatkin conducts the St Louis Symphony Orchestra in two programmes, including Prokofiev's Sixth Symphony, Bruckner's Second Symphony and Ginastera's Violin Concerto, with Elmar Oliveira (247 7800)

Metropolitan Opera 20.00 Nello Santi conducts Rigoletto. Tomorrow: Tannhäuser. Sat afternoon: Un ballo in maschera. Sat evening: Il barbiere di Siviglia (362 6000)

New York State Theater 20.00 City Ballet in two Balanchine choreographies and two by Jerome Robbins. The season ends on Sun with a Dancers' Emergency Fund Benefit (870 5570)

■ ROME

Teatro Olimpico 21.00 Alessio Vlad conducts the Vincenzo Galilei Chamber Orchestra and Chorus in the world premiere of Porena's Trauerlied eines Glaubigen, plus Scarlatti's Stabat Mater (3234 890)

Teatro dell'Opera 20.30 Daniel Oren conducts Franco Zeffirelli's production of La bohème. Six further performances till March 5, with casts including Fiamma Izzo D'Amico, Francisco Araiza, Mirella Freni, Giuseppe Sabbatini and Nicolai Ghiaurov (488 3641)

■ STOCKHOLM

Konserthuset 19.30 Jukka-Pekka Saraste conducts the Stockholm Philharmonic Orchestra in Hillborg's Violin Concerto (soloist Anna Lindal) and Mahler's Fifth Symphony, repeated tomorrow (244130). Tomorrow in Berwaldhallen: Walter Weller conducts the Swedish Radio Symphony Orchestra in Bruckner's Third Symphony (784 1800)

Royal Opera 19.00 Le nozze di Figaro. Tomorrow: Gustaf Wasa, opera by Johann Gottlieb Naumann (248240)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
0830-0900 (Tues) Spiegel TV – Intl Report – the real world of documentary
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly
2130-22.00 (Fri) Spiegel TV – Intl Report

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Thursday February 20 1992

Beating up on Bush

NOWHERE is it written that New Hampshire always gets it right. But, as often as not every four years, this small New England backwater sends a message to those who would lead the United States. It did not shirk its duty this time.

The obvious lesson of Tuesday is that President George Bush can be turned out of office in November if the Democrats can find the right candidate, which is still by no means certain. Not even New Hampshire's notorious cocktail of iconoclastic conservatism and current recession can disguise the fact that in the Republican primary Mr Patrick Buchanan racked up a protest vote comparable in numbers to that won by Eugene McCarthy in 1968, which helped persuade Lyndon Johnson not to seek re-election. This is serious stuff for a sitting president, even if Mr Buchanan himself has a minimal chance of being the Republican nominee.

Slow tempo

But it takes at least two to dance and, on the Democratic side, the tempo is still slow. The victory of Mr Paul Tsongas, from neighbouring Massachusetts, may be considered a local preference, unrepeatable as the battle moves south and west. It may suggest that his sober, sensible campaign struck some chords which could yet resonate nationwide. Governor Bill Clinton's relative recovery from the smears that had surrounded him means he lives to fight another day on more favourable turf. The write-in vote for Governor Mario Cuomo was, predictably, negligible, underlining the difficulty for late entrants, no matter how famous. Nothing is yet resolved except to make more likely an early winnowing of the field.

Until now, the two races have proceeded on parallel tracks, crossing only to the extent that Mr Bush has been the target of both his party challenger and the Democrats. But this now changes. How the president responds to Mr Buchanan will be avidly noted for later use by the Democrats, as will be any clear hits the challenger scores.

Worst option

So what should, or rather will, Mr Bush do? The worst option would be to descend into a battle on Mr Buchanan's chosen ground over who is the more isolationist and the more xenophobic. Mr Buchanan has flourished by picking holes in the once impregnable Bush aura, not by presenting viable alternatives. It follows that the president should concentrate on what he is good at, primarily the management of external policies. There is enough on this agenda in the shape of Gatt, the Middle East and helping the former Soviet Union, to occupy any president to the public's satisfaction. But this must be supplemented, even exceeded, by initiatives to tackle the domestic problems which are so much on the electorate's mind. These will need to be better than as outlined in his disappointing state of the union address last month. All this might amount to a modified Rose Garden strategy.

There is something in Mr Bush's character and record, however, which suggests an aversion to the electoral high road. He seems to love a fight but not to know how to wage one, unless, as in 1988, he is run by hardnosed political operatives. Their absence this time should not be mourned but, without their script, Mr Bush seems bereft of direction. This spells more trouble unless the economy revives or the Democrats again pick a turkey.

In defence of local politics

THERE ARE three good reasons for welcoming yesterday's report from the Joseph Rowntree Foundation calling for a new relationship between central and local government.

First it lifts its eyes above the UK parish pump to look at what is happening in the rest of Europe. It finds that the UK is unique in the EC in the degree of conflict between central and local government and in the reduction of the functions and financial freedom of local government. Yet local government offers a means of delivering local services which is more diverse and responsive to local needs than central administration. It is also a vital part of a pluralist democracy, which encourages participation and a sense of community.

A second reason for welcoming the report is its emphasis on the desirability of finding cross-party agreement on the role and structure of local government. There has been little gained and much lost from 20 years of organisation and reorganisation in local government in response to the pendulum swings of politics. There is still no end in sight to the turmoil: the rest of the 1990s will be largely devoted to bedding in a successor to the poll tax and introducing unitary authorities. It would be worth the upheaval if it produced a stable outcome commanding support across the political spectrum. Unfortunately, this is not yet in prospect.

Third, the report stresses the need for finance, functions and structure to be inter-related. A patchwork of reforms is unlikely to break the cycle of decline. This lesson has not been digested by either of the main political parties, both of which are currently peddling replacements for the poll tax in the absence of a clear blueprint for structure and functions in local government.

The report rightly comes down heavily against further emasculation of local authorities. The government's assumption that councils are irresponsible and inefficient is not only corrosive to relationships between central government and local government. It also weakens local government by making it unattractive to men and women of ability. It is appropriate that public services which require local discretion and initiative should be the responsibility of local government. Education and social services fall obviously into this category; local councils could also take an increased role in a devolved health service.

That does not mean returning to the all-providing municipal socialism of old. The model of the enabling council, which promotes the delivery of services by private companies, co-operatives and – occasionally – the in-house team now enjoys sufficient support across the spectrum for its survival to be no longer in doubt.

The report is also correct to stress the importance of giving local government a substantial and stable tax base. The recommendation that at least 50 per cent of local revenue should come from local taxation, compared with less than 20 per cent now, should be a starting point rather than a target. If local authorities were to continue to do what they now do, a local income tax or some other additional tax mechanism would be inescapable.

But if local authorities are to levy income taxes, they need to become more representative. The capricious and dictatorial one-party council will not be abolished by proportional representation, but it would become far less common.

Hands off Iraq

A YEAR ago the world went to war to re-establish the frontier between Iraq and Kuwait, which President Saddam Hussein had presumed to remove. It did so on the basis of UN resolutions calling on Iraq to withdraw its forces "to the positions in which they were located on 1 August 1990". It is reasonable to assume that almost all those involved in the war, on the coalition side, believed they were fighting to restore Kuwait's territorial integrity as of that date, and not to assert any Kuwaiti claim to territory until then held by Iraq.

After the war, however, the UN Security Council became "conscious of the need for demarcation of the said boundary", and set up a commission to demarcate it. That commission is now reported to be about to award to Kuwait several oilfields hitherto owned and exploited by Iraq, and part of the Iraqi naval base at Umm Qasr.

Whatever the historical basis for this finding, no Iraqi, irrespective of his or her feelings about Mr Saddam and his policies, is likely to regard it as other than an assertion of *jus victoris*, in clear violation of the much-vaunted UN principle that the acquisition of territory by war is inadmissible. No Iraqi government will voluntarily accept it, and if the Security Council imposes it by force it will, in effect, be inviting Iraq to try the fortunes of war again, choosing a more opportune moment.

America's political landscape is changing, writes **Lionel Barber**

Battle for the soul

President George Bush has paid the price for complacency. The stunning result in the New Hampshire primary election is first and foremost a protest vote against his handling of the US economy; but it also signals a deep misgiving about the direction of the country and Mr Bush's leadership.

For Mr Patrick Buchanan, the right-wing television commentator who captured 40 per cent of the Republican vote, the New Hampshire result is more than a personal triumph: however controversial, his candidacy has been legitimised.

"And now on to the south," he declared on Monday night in words which echoed all the way to the White House.

Just six months ago, Mr Bush, the victor of the Gulf War, appeared invincible. The president now faces a battle on two fronts, with both Mr Buchanan and the Democratic candidates delivering the same message of discontent.

Inevitably, these attacks will increase the impression that Mr Bush is vulnerable, if not beatable, in the November general election.

Not since Mr Ronald Reagan ran within a percentage point of President Gerald Ford, an unelected president, in 1976, has an incumbent Republican fared so badly in New Hampshire, the first of the nation's primaries. Even if Mr Buchanan has no serious chance of winning the Republican nomination, he has the potential to split the Republican party in the run-up to November.

Mr Bush professes to have grasped the threat. "I understand the message of dissatisfaction," he said hours after the polling booths closed. "The message tonight is that Americans are concerned about the future."

If this is the case, it does not explain why Mr Bush fought such an inept campaign in the granite state, which only four years ago handed him the victory that launched his bid for the White House.

Mr Bush surely knew how vulnerable he was in the conservative state, where the local economy has lurched from boom to bust during his three years in office. Unemployment has tripled, bankruptcies have soared, banks have stopped lending. New Hampshire is a metaphor for the 1980s, the decade of speculation and overbuilding; but Mr Bush appeared oblivious until January as the primary battle neared.

In two trips, Mr Bush appeared tentative, drawing small crowds at discreet upper-class rallies. His desire to remain above the fray played into the hands of Mr Buchanan who mocked "King George" as an absentee president, out of touch with ordinary voters.

Soon, a small army of volunteers, students joining forces with unemployed hard-hats, mobilised in what became a genuine grass-roots campaign.

It was an astonishing effort. Mr Buchanan had never run for public office. His television advertising was masterful. Mr Bush failed to respond to accurate charges that he broke his "no new taxes" pledge in the 1988 campaign – in retrospect a serious tactical error. Such mishaps revived memories of the smugness which gripped Mr Bush's run for office in 1988, when he was beaten into third place in the Iowa caucuses.

Patrick Buchanan, left, his candidacy has been legitimised; George Bush, punished for his complacency

How then does the president intend to fight back?

From the viewpoint of the White House, the alarming conclusion must be that Mr Bush has already delivered his best shots. These were unleashed in his State of the Union address to Congress last month when he unveiled a long-awaited growth package to revive the US economy.

The package promised a good deal more than it has delivered so far. Designed primarily to insulate Mr Bush against charges of inaction, the proposals included \$50bn of defence cuts, relief for the real estate industry, a reduction in the rate of capital gains tax to 15 per cent, a \$500 tax allowance for families with children and a tax break for first-time home buyers.

The sting came at the tail-end of the speech: unless Congress passed the measures by a March 15 deadline, the president would mount a partisan assault against the Democratic majority which would last until the November election – an echo of President Harry Truman's successful tactic of running against the "do nothing Congress" in 1948.

At the time, it seemed like a brilliant political manoeuvre. But what plays in Washington does not necessarily play in New Hampshire or elsewhere. Mr Bush's delay in unveiling his proposals left him open to the charge that he was a "do nothing president".

Moreover, Mr Bush's tardiness revealed a profound political weakness: his inability, in the light of the \$400bn budget deficit, to use a strong fiscal stimulus to revive the US economy.

The president is a hostage of the ballooning deficit of the 1980s, in which he, as vice-president, played a significant role. The truth is that Mr Bush is saddled with policies dictated by the Federal Reserve, which was slow to ease interest rates last year.

Like Mr Micawber, all he can do is to hope that something will turn up. He must hope that lower interest rates will generate a recovery by late spring or early summer which will cushion his re-election effort.

Mr Buchanan's challenge in New Hampshire has exposed the dangers of the waiting game. It is bound to increase restiveness among congressional Republicans pushing for bolder tax-cutting measures to revive the economy.

Mr Bush, who has made clear he does not wish to amend the 1990 budget agreement, will doubtless stand firm; but he needs to demonstrate that he is not paralysed.

The president's response is likely to fall into three categories, none of which is completely without risk.

First, he will take off the gloves and attack his opponent's neo-isolationist, protectionist "America First" message. The temptation may be to hedge on trade issues – shelving, for example, consideration of the Mexican free trade pact until after November; but the results in New Hampshire suggest this would be unwise.

Although Mr Buchanan would disagree, the protest vote on the economy was more compelling than the protectionist message. This was confirmed by the performance of the two leading Democrats, former Senator Paul Tsongas, of Massachusetts, and Governor Bill Clinton, of Arkansas, both of whom refused to stoop to Japan-bashing.

Second, Mr Bush, helped by press scrutiny, will confront the more troubling aspects of Mr Buchanan's past, notably his ambiguous remarks about Israel and his defence of alleged Nazi war criminals. Even his conservative supporters agree that Mr Buchanan has flirted with anti-Semitism.

Third, Mr Bush will cast himself once again as the victorious commander-in-chief of Desert Storm. Mr Buchanan, like some Democrats, opposed the Gulf War.

Yet Mr Buchanan has his own cards to play. He has already singled out five key primaries to contest against Mr Bush. In Florida and Texas, he will play up his opposition to immigration; in South Carolina and Georgia, he will single out Mr Bush's support of a civil rights bill with congressional Democratic majority, appealing, like Mr George Wallace in 1968, to disaffected whites; in Michigan, where the car industry is being crushed by Japanese competition, he will don the America First mantle.

Mr Ed Rollins, President Reagan's campaign manager in 1984, says the battle has begun for the soul of the Republican party. Indeed, it is a battle to preserve the coalition of suburban voters and ethnic blue-collar Democrats who made up the Nixon-Reagan coalition which has triumphed in five out of the past six presidential elections.

This struggle may herald a realignment in the political landscape in the US. Already, similar tremors are taking place within the Democratic party. These were highlighted by the strong performance in New Hampshire by Governor Clinton and Mr Tsongas, whose free trade, tax-cutting centrism marks a break with liberal orthodoxy which has dominated the party for the past 20 years.

The current crop of Democratic candidates is no longer beholden to organised labour; nor to minorities or other liberal factions which have dominated the contemporary presidential selection process. These candidates – Mr Clinton, Mr Tsongas and Senator Robert Kerrey, of Nebraska, are wooing middle-class voters with detailed economic plans and pledging a higher standard of living for future generations.

By contrast with the Republican party, which looks back wistfully at American greatness in the 1950s and the victory in the Cold War, the Democrats are looking to the future. But they still need a candidate who can bridge the stature-gap with Mr Bush, who has vowed to do everything necessary to win re-election.

BOOK REVIEW

A state of énarchie

POWERBROKERS: AN INSIDERS' GUIDE TO THE FRENCH FINANCIAL ELITE
Leslie Mitchell de Quillacq
Lafferty Publications £500

Pity the poor Enarchs. The graduates of France's élite Ecole Nationale d'Administration (ENA) enter the school hoping to learn how to run the country, or to chair a big company. They leave it only to find themselves pilloried by the French press and haunted by the government's threat to banish their *alma mater* from Paris to Strasbourg.

Now the Enarchs' role in the French financial establishment has been scrutinised by Leslie Mitchell de Quillacq in Powerbrokers.

This book is not just concerned with Enarchs, but with the background of everyone who occupies a powerful position in French finance, most of whom happened to study at ENA.

"The path to influence and status in the French financial sector is clear," concludes the author. "It's best to be born into an upper-class family and go to a top Parisian lycée, then to the Institut d'Etudes Politiques de Paris (Science Po), and then to ENA, where it is necessary to graduate in the top 10 in order to become a member of the Inspection des Finances [part of the inner circle of the Finance Ministry]. This should be followed by a stint in the French Treasury and time in a ministerial cabinet to get the requisite political patronage."

None of this is new. It only takes a cursory acquaintance with the men – they are almost all men – who run France's big banks and insurance groups to realise that their lives have run in tandem since they first bashed each other over the head with their Babar books at the age of three.

Elite financiers' lives have run in tandem ever since they first bashed each other with Babar books at the age of three

But Mitchell de Quillacq does work out who really matters in this world by applying a system devised by Professor Charles Kadushin of the Yale School of Management.

The method involved compiling a list of all the people in senior positions within France's financial institutions. They were then asked who else should be on the list. Each interviewee was asked to name the 20 people whom they believed to be the élite. They were also asked who had influenced them personally and whom they considered to be their friends.

The author was left with a list of 124 people, two of them women. She then compiled two "top 20s" – one of the "élite", the other of the "wielders of influence" – weighted according to the number of votes received by the voter so that "the élite, in effect, chose the élite and the influential".

There were a total of 27 names (all male) in the two top 20s (that is, there were names on each list that did not appear on the other). Both were topped by Mr Jean Peyrelevade, once assistant director of the private office of Mr Pierre Mauroy, the former Socialist prime minister and now chairman of Union des Assurances de Paris, the state-owned insurance group.

Mr Claude Bébéar, his counterpart at the private-sector insurer Axa, was second in the élite list followed by Mr Michel David-Weill, the senior partner of Lazard Frères, the Paris-based merchant bank. Two other bankers – Mr André Lévy-Lang of Paribas and Mr Michel Pébereau, the chairman of Crédit Commercial de France – came second and third respectively in terms of "influence".

Having identified the 124, Mitchell de Quillacq could then calculate exactly how many of them really did conform to the educational cliché of a stint at Science Po followed by a spell at ENA.

The short answer is almost all. Two-thirds of the top 27 went to Science Po as did half of the 124. The same proportions of both groups went to ENA. Almost all Enarchs went on to join the civil service, later moving into a ministerial cabinet or private office.

Perhaps the best illustration of the narrowness of background of France's financial élite is that half the top 27 and two-fifths of the 124 went to one of three Parisian lycées: Louis le Grand, Henri IV or Janson de Sailly.

Mitchell de Quillacq undoubtedly succeeds in identifying who wields the power in French finance and the common strands in their histories. What she does not do is examine whether ENA's influence is any more pervasive in France than that of other élite institutions' elsewhere. Think of Tokyo University in Japan, Oxbridge in the UK or the Ivy League in the US.

Nor does she analyse the effect of filling the top positions in France's financial establishment from such a tightly defined pool of people. The reader is left with very little idea as to whether this is good or bad, and as to what sort of people they are other than that they probably went to ENA.

Alice Rawsthorn

OBSERVER

Bad taste in the frame

■ Gasps of astonishment from assembled and hard-bitten hacks greeted Benetton's attempts yesterday in London to justify its latest foray into the wilder Fellini-esque reaches of advertising bad taste.

Luciano Benetton, a founder of the Italian clothes firm, and his side-kick Oliviero Toscani, in charge of Benetton's advertising campaigns, were blithely oblivious to any and all suggestions that a photograph of a dying Aids patient, another of a mafia murder victim, one of hapless Albanian refugees, or yet another of a black African guerrilla carrying a human femur, are pretty lousy ways to advertise the merits of a Benetton T-shirt.

One black journalist asked what image the femur-photo was trying to depict – cannibalism? "If you interpret it that way, then it is so," answered a confident Toscani. His view of advertising is somewhat unusual; its purpose for Benetton, he said, is to increase "social awareness".

Observer asked Benetton what sort of social awareness was going to develop by showing a picture of Albanians leaping into the sea in order to take refuge in Italy last year – from whence the Italian government has since been trying very hard to expel them. Sounds of spluttering from uncomfortable style gurus.

Connections

■ Young Peter van Cuylenberg might feel a bit miffed that he has been passed over for the top job at Cable & Wireless. But the rest of the team must have realised that the next chief executive was going to be an outsider.

The old management at C&W, like British Telecom's, was too inbred and in the same way that Michael Hepher's arrival at BT was a "good thing", the same goes for James Ross. He has a multinational company background and after a career at BP must know all about company politics. That said, Lord Young remains an executive chairman, and Ross will have to prove that he is not just there to take orders.

Meanwhile, BP's choice of Karen Horn, currently heading Bank One in Cleveland, as a non-executive director – and its first female onto the board – is less surprising to those who remember that Bob Horton spent five years in that town in the 1980s at the helm of Standard Oil. No doubt he rubbed shoulders frequently with one of America's more successful businesswomen, who was previously president of the Cleveland Fed.

Despite Horn's support for many of Cleveland's good causes, she is remembered fondly at the bank for her talent for delegation when she was called away to her other passion, which is riding.

Lilley-livered

■ There is no longer any need to ask who is up and who is down in John Major's cabinet. When John Smith yesterday launched Labour's full-scale Commons assault on the government's handling of the economy, Major's response was to field Michael Heseltine. No matter that the environment secretary has no responsibility for economic policy.

The judgment of party managers was that the government needed a heavy hitter to counter Smith's powerful rhetoric. Norman Lamont's face was saved by a previous engagement with a Commons committee. There was no such consolation for Peter Lilley. The trade and industry secretary was busy in Newcastle giving a speech to businessmen, the sort of function which might easily have been handed to a junior.

Heseltine duly turned in a virtuoso performance. No wonder some Tory MPs have started to refer to Heseltine as the deputy prime minister.

"The President just sent us a message"

Rubbish

■ Even the Tidy Britain Group is surprised at the findings of its latest survey. London emerges as Europe's second cleanest city – after Berne, but before Paris, Brussels, Rome and Madrid. How can this be?

Mostly, it seems, by omitting entirely the masters of civic cleanliness. "We are aware that Germany is a large and powerful country," says the Wigan Pier-based charity, "but these projects have a long lead-time." When the survey was being planned "Germany had not decided on its new capital".

While London's ranking may still astound its residents, TBG only combed a radial area of half a kilometre around respective parliaments. For London, that means parts of Lambeth – and Westminster, for which the study's sponsors, MRS Environmental Services, just happens to have the cleaning contract.

Sentence(s)

■ Guinness chief Ernest Saunders is transforming himself from famous defendant to respected pundit. Following appearances on television and radio, Saunders has now made his debut in the Solicitors Journal, where he argues that City-type offences which have resulted in no personal gain for the alleged offender should be removed from the criminal process.

The fact is, he believes, that the public identifies fraud with stealing large sums of money and pocketing the proceeds. "Maybe the law should follow this reality and find a new terminology for a category of regulatory offence without personal gain and with appropriate penalties and a tribunal," he writes, somewhat inelegantly.

Saunders' appearance for the first time since his release from jail last year, in apparent good health and spirits, has revived suggestions that the appeal court's halving of his sentence, and his release after serving 10 months, resulted from him having feigned illness.

For the record, the medical evidence at his appeal was based on a brain-scan which showed abnormalities, the appeal judges halved his sentence because they thought it "substantially too high" – adding that his illness did not justify immediate release – and, like any other prisoner, he became eligible for parole after serving a third of his sentence.

Clean slate

■ On the basis that no news is good news, Observer is happy to report receiving a completely blank press release from Her Majesty's Treasury.

ECONOMIC VIEWPOINT

Give 2¾ cheers for a hung parliament

By Samuel Brittan

We used to be told by psephologists that a hung parliament – one in which no party has an absolute majority – was very unlikely in the UK, however *close the two main* parties seem to be, because of the vagaries of the British voting system. Now, however, the same experts seem to regard it as much more likely; and I hope they are right.

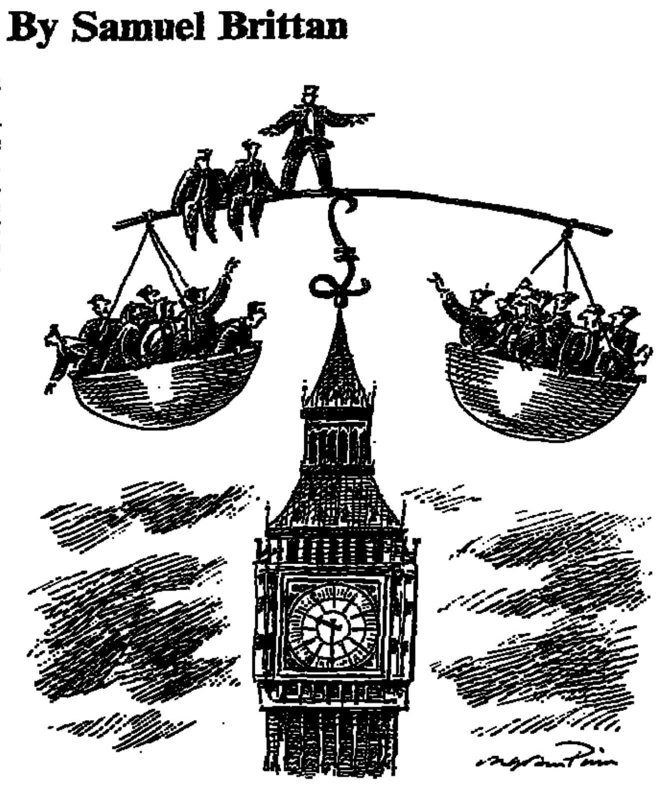
Most City writers have expressed an opposite opinion. Until very recently, they were saying that a hung parliament *would be the worst possible* outcome for sterling. The cliché explanation is that uncertainty is bad for markets – which ignores the fact that players in financial markets earn their living by dealing with risk and uncertainty and should thrive on so doing.

A stock remark used to be that a government dependent on third-party support would shrink from taking tough unpopular measures. But which tough measures exactly? The economy needs a fresh monetary or fiscal squeeze like a hole in the head. What is needed is a willingness to exercise patience until Germany has got over the hump of its unification problems and interest rates in Frankfurt start to fall. It means accepting that, whatever small changes in British interest rates can be squeezed in, the UK is basically in the same boat as Germany. It means, too, avoiding *huge spending increases or* unaffordable tax cuts.

But, alas, my advice to concentrate in the Budget on purely temporary and self-reversing measures to boost *investment and spending has* fallen on deaf ears. There may be some temporary measures. But the emphasis is all too likely to be on the cruder type of tax bribes such as real increases in the tax allowances, 1p or 2p off the basic rate, or quite likely both. This will be combined with some other morsels such as a reduction in the Uniform Business Rate (for which a case can be made) and cuts in Inheritance Tax or Stamp Duty.

John Lipsky and Michael Saunders of Salomon Brothers, *who canvass a list of this kind*, usefully remind us that the 1991 Budget contained an overspill of £1.6bn of extra revenue not due until 1992-93, owing mainly to the delayed effects of the VAT increase and National Insurance contributions on company cars. The Treasury could call this bonus in aid, to make a tax remission of £4bn look more like £2bn. Indeed, I can imagine Norman Lamont being personally more hesitant about fudging his medium-term tax strategy than either his political colleagues or even some of his official advisers.

It would only take a moderate shortfall in economic growth below that assumed in the Autumn Statement and a moderate tax give-away to take the Public Sector Borrowing Requirement to the £25bn to £30bn range in 1992-93. This would represent 4 to 5 per cent of gross domestic product. It takes the eye of faith to believe that deficits of this size are entirely due to the recession and that the Budget is still in balance over the whole cycle – remembering too that privatisation proceeds of £8bn per annum are abnormally large and almost certain to go down in the next parliament.



I do not want to pretend to austere fiscal beliefs which I do not really have. Even the Maastricht treaty, of which the Bundesbank approves, allows *for a Budget deficit of 3 per* cent of GDP; and no less a financial hawk than the Bundesbank vice-president, Hans Tietmeyer, accepts that this should be considered over the *whole economic cycle. More*over, the UK has a small public debt ratio compared to other European countries.

But that is hardly a reason for moving in the wrong direction. An excessive budget deficit in the coming couple of financial years would be like a slow fuse. Tax moves of the

Likely tax cuts would be chickenfeed as a stimulus, yet scupper fiscal strategy

size for which we are being prepared would be chickenfeed as a Keynesian fiscal stimulus, but enough to cast doubts on the government's medium-term fiscal strategy. My own view is that the timing and extent of the climb out of recession will depend on the usual mixture of animal spirits and monetary policy. The latter will depend more on German wage bargaining than on anything Mr Lamont can do.

The best case that can be made for cutting income tax is that by increasing the likelihood of a majority Conservative government it will cheer up business and middle-to-affluent consumers – an argument I have heard even from Labour-voting economists.

This takes us straight back to the hung parliament with which I began. Those who fear *it have not realised that under* a so-called weak government, the power over interest rates will shift decisively to the Bank of England. There has already been a partial and pragmatic shift under the influence of European developments and economic fashion. It would go much further under a chancellor who could not even tell the governor that he had a parliamentary majority.

The most satisfactory long-term result would be two hung parliaments in a row, which really would put electoral reform on the map. From a purely short-term financial point of view, there is much to be said for a Labour government dependent on Liberal Democrat support. Mr Paddy

Unlike many PR supporters, I have never argued that PR would be a 'fair' system

Ashdown – who may play his cards here better than Jo Grimond, Jeremy Thorpe and David Steel did in the past – would prevent Labour from pushing up marginal tax rates to 60 per cent, although he would sensibly help it to abolish the ceiling on employees' National Insurance contributions. As Giles Keating of Credit Suisse First Boston *writes: These pressures "plus* the Liberals' ... commitment to making the Bank of England independent could offset the pressure on sterling which might otherwise be caused by political uncertainty."

But from the more important long-term viewpoint of constitutional reform, a Conservative government dependent on Lib*eral Democrat support – and* not strong enough to get by with Ulster Unionist support – would be a better bet. For since the Second World War, whenever Labour has formed a minority government, the electorate has finished the job by increasing Labour's strength the second time round.

In the last analysis, attitudes to two hung parliaments in a row should depend, not on financial market reactions, but on whether one would like to see constitutional reform, which would include a move to proportional representation.

Unlike many PR supporters, I have never used the argument that PR would be a "fair" system. My reason for supporting PR is that there would be less danger of party zealots trying to impose "irreversible transformations" on British society not by persuasion but by what Lord Hailsham called "elective dictatorships".

One of the few contributions that has made me pause is a pamphlet* by the Oxford political scientist Nevil Johnson, who was formerly sympathetic to these arguments. He has *changed his mind, not as* a result of cheap debating points about changing Italian governments, but of studies concentrated on Germany where PR has produced stable administrations. *He* is now impressed by the absence in Germany of the personal "competition and risk" existing in Britain under which politicians "perform on a high wire without a safety net". In Germany, by contrast, members of the political class are there for life with little danger of losing their seats or their livelihood.

The main reason why I still back PR is that the danger of elective dictatorships, although less obvious than in the 1970s and 1980s, is dormant rather than dead. Moreover, the pres*ent system still* gives undue influence to those interest groups and clusters of attitudes which are over-represented in the Labour and Conservative parties. Other checks and balances are, of course, required, including a constitutional court and an independent central bank – all much less likely under the winner-takes-all system.

* *The Political Consequences of PR. Centre for Policy Studies, 52 Rochester Row, London SW1P 1JU*

Temperature rises over NHS reforms

The battle of statistics will run, says **John Willman**

Mr Robin Cook, Labour's health spokesman, today relaunches his party's attack on the government's reforms of the National Health Service. He will repeat the charge that the reforms are privatising health care. And he will promise that a Labour government would sweep away the internal market at the heart of the reforms.

Labour regards the NHS as its trump card: it has only to play it to win the trick. That certainly has been the experience until now. The card has been played to devastating effect in a series of by-elections, with the Conservatives losing once-safe seats such as Monmouth because of the alleged threat to the NHS.

Every glitch in the implementation of the reforms has been gleefully publicised by the *opposition*. With widespread mistrust of the government's intentions, a ministerial mention of the NHS can lead to immediate retribution in the opinion polls.

*Yet there is growing confi*dence among Conservatives that the health service need not be a no-go area. Ministers feel that the reforms are beginning to yield tangible benefits – and are considering putting health at the forefront of their campaign.

Of course, it is far too soon to establish the effect of the reforms – whether beneficial or damaging. Introduced only last April, they are being gradually phased in to avoid undue disruption.

Nonetheless, Mr William Waldegrave, the health secretary, felt sufficiently upbeat to call a press conference last month proclaiming that the first six months had been an unmitigated success. He presented a glossy brochure setting out the achievements:

- A 3.7 per cent increase in patients treated in hospitals over the previous year.
- "Significant inroads" in reducing the time patients have to wait for treatment, on target for meeting the pledge in the Patient's Charter to eliminate waiting times of longer than two years by April 1.
- Record levels of child immunisation – about 90 per cent of children are now inoculated against diptheria, tetanus, polio, whooping cough and measles.

Other good news followed. A survey of eight of the new *self-governing* trust hospitals showed that almost half the 900 patients who had visited them before and after they became trusts thought that the service had improved.

And a study of GP fundholders, carried out by Professor Howard Glennerster of the London School of Economics, found that fundholding had improved the quality of service for patients.

Above all, the winter months have been largely free of reports of ward closures and hospital budget problems for the first time in many years.

The best that Labour has been able to do by way of demonstrating that the NHS is in crisis was a document leaked in January which showed that 86 hospitals were reporting current deficits of more than £100,000. Mr Waldegrave was quick to point out that the total deficit was £15m, less than 0.1 per cent of the NHS budget. And with only 29 hospitals expected to be in the red by the end of the financial year, any deficits are likely to be matched by surpluses elsewhere.

Labour's promises to abolish the internal market should be taken with a pinch of salt

There is more than meets the eye in the good news stories. The absence of ward closures, for example, can be attributed to a £200m slush fund held back by the govern*ment to bail out importunate* hospitals.

This is no more than prudent planning given the upheaval of the reforms. But it hardly fits in with the idea of an internal market where purchasers and producers must behave like rational profit-maximisers.

As for the drop in waiting lists of longer than a year, there is evidence that this has been achieved at the expense of people who have been waiting for less than a year – for whom waiting times have risen slightly.

And the 3.7 per cent increase in turnover of hospital patients is scarcely more than the trend figure over the previous 10 years.

Moreover, the real problems may only be about to emerge. The internal market is being phased in, with this year's provisions largely drawn up on a "steady state" basis: the new arrangements largely mirror what was happening in the year before the reforms were brought in. Steady state will give way to a somewhat freer market from April 1, and it would be surprising if this did not lead to some embarrassing problems for large hospitals.

At the very worst, however, the government can claim that no great harm has been done by the introduction of the reforms. And there are some signs of modest improvements.

Ministers can also point to the adoption of similar market-based reforms in health care in countries such as the Netherlands and Germany. *Even where the private sector* plays a more important role, the purchaser/provider split at the heart of the internal market is being used to allocate scarce resources and curb *escalating* costs.

And Labour's promises to abolish the internal market should be taken with a pinch of salt. Today's announcement may include plans to scrap GP fundholding and reincorporate the trust hospitals into the districts. But the purchaser/provider split is likely to survive in some form, if only because it is a principle that Labour has endorsed in other public services such as local government.

Yet it may still be premature for the Conservatives to *assume that the health service* reforms can be added to the litany of successes in their election campaign. Opinion polls continue to show a high level of scepticism about the government's commitment to the NHS. And Labour retains its overwhelming advantage in the polls as the party viewed as best able to run the NHS.

But as the parties scrabble to a fingertip lead over each other, the battle of the NHS statistics looks set to run and run.

LETTERS

Not dissatisfied with adviser

From P N Homer.

Sir, While it is true, as reported by Clive Cookson ("BTG sell-off likely to see only two bidders" February 19), that our *joint* venture with *Sir* Ronald Mason has withdrawn from the bidding process for BTG, the inference drawn that we are dissatisfied in any way with Price Waterhouse is incorrect.

In extremely difficult circumstances imposed by government on the privatisation process, Sir Ronald Mason and I found the PW team to be unfailingly helpful and highly professional. We would like to record our thanks to them.

The tortuous and constrained process imposed by government *has*, no doubt, been affected to some extent by the imminent general election.

However, the twin objectives of obtaining the highest price, while requiring continued investment in new technologies, may be unattainable through a venture capital route and privatisation.

P N Homer,
director,
James Finlay Bank,
10-14 West Nile Street,
Glasgow G1 2PP

ILO will see off critics, insists TUC leader

From Mr Norman Willis.

Sir, Some of your readers may have been alarmed by your headline reporting Prof Keith Ewing's description of the International Labour Organisation as moribund (Employment, February 17).

Contrary to what was reported, the body of international labour conventions has continued to grow in significant ways in the 1980s with the adoption of new instruments *on collective* bargaining, safety and health at work, and last year on working conditions in hotels and catering.

Prof Ewing was quite right to focus attention on the damage done to the *ILO* by *the* British government in persisting in its violations of conventions protecting basic human rights. But he was wrong to imagine that a body which, almost alone among international agencies, survived the demise of the League of Nations and took the withdrawal of the US for two years in its stride, will not prevail.

I am heartened by the firmness with which the ILO supervisory bodies have withstood the attacks on them by the British government. Of course, it does weaken the ILO when a government *of the country* which has made a greater contribution than any other in building it up as the most effective agency in the UN system for promoting development and social justice, shows an invincible insolence towards its well-based criticisms of GCHQ and of several policy areas. This is not without its costs to Britain in terms of embarrassment to allies and charges of hypocrisy.

I recall that not so long ago the regimes in Poland, Czechoslovakia, Romania and Brezhnev's Soviet Union adopted a similar approach to the ILO's criticisms. My money is on the ILO to see off present attacks and strengthen its role in protecting working people in all countries for which it is uniquely equipped and which is more than ever needed.

Norman Willis,
general secretary,
Trades Union Congress,
Congress House,
Great Russell Street,
London WC1B 3LS

What price a wet doughnut?

From Mr Roland C Shaw.

Sir, Lex said (February 18) that "it is hard to see why (the oil price) should recover" from the drop below $18 per barrel. *With the greatest respect (a* phrase which, I have learned after many years in England, means the opposite) I will bet a dollar to a wet doughnut that it recovers within 12 days.

Roland C Shaw,
chairman,
Premier Consolidated Oilfields,
23 Lower Belgrave Street,
London SW1W 0NR

Inexperienced directors

From Mr S Willis.

Sir, In your article, "Sony chief says accountants should not lead industry", (February 7) I could not agree more with Mr Akio Morita. Only I would *dare to go further in* saying that the basic experience of entire boards of directors of most companies today are founded on heavy financial backgrounds. This leaves the important decisions being made by managers who have no true understanding of their own manufactured product.

And, worse, it leaves no common ground in their relations with the workforce, which itself is rich in the grassroots experience required for the overall creation of the product. That detachment can most definitely lead to great, and unnecessary, financial and labour losses.

S Willis,
6A Wrangledon Road,
Parkwood,
Maidstone,
Kent ME15 9LS

Total Quality Management more than blind faith

From Mr Howard Densley.

Sir, Writing about the Baldrige award in his interesting article (Management, February 3), Martin Dickson struck a rather controversial note by describing Total Quality Management as "a kind of corporate religion".

While accepting that strong commitment is needed, I believe this description could discourage many practically minded chief executives from adopting TQM.

In this UK-based consultancy, TQM is regarded as applied common sense, not least because it improves customer satisfaction, while substantially reducing costs, leading to a marked increase in net profit. Blind faith would rarely have this effect.

Howard Densley,
senior consultant,
The Centre for Consultancy,
Hallams Court,
Littleford Lane,
Guildford, Surrey

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Percentage route to resolving problem of skilled staff transfer fees

From Mr Peter M Brown.

Sir, Like many of your readers I have been wrestling for years with the practical difficulty of silver handcuff transfer fees as some recompense *for the training costs of* employers whose skilled staff are poached or hired by others.

The problem is to give the losing employer control of the funds from which to reimburse himself while protecting the employee from unfair restrictions on movement or a loss of any withheld earnings.

A solution might be to allow an employer to withhold a percentage of gross salary from the first two years' earnings of any employee earning over, say, £250 per week.

The money would be held in an external fund outside the company like a pension scheme. The employer could reclaim 100 per cent of the employee's deductions if they were to leave within, say, two years and 50 per cent if they leave within three years.

If the employee remains, he or she can reclaim the money plus interest, less tax, in year four or perhaps pass it over to their company or personal pension fund, tax free.

In practice a new employer would probably be pressed to offer a golden "hello" matching any deductions sacrificed by recruits and this would shift some of the training costs borne by the old to the new employer.

If the current employer went bust the fund, assuming it's not a Maxwell type group, would not be a corporate asset and employees would receive their deductions plus interest as part of a tax-free termination payment.

Let me stress that employers would be free to deduct or not deduct, as they saw fit, and would probably only use this technique for staff whose departure would represent a very serious loss to the company of training or contact skills.

Peter M Brown,
chairman,
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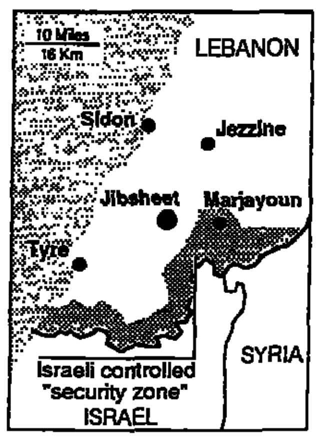
9 Savoy Street,
London WC2A 0BA

FINANCIAL TIMES
Thursday February 20 1992

Shamir warns that Israel will use 'all our might' to stop rocket attacks on its territory

Israel launches new attacks in Lebanon

By Hugh Carnegy in Jerusalem



ISRAEL launched renewed air and artillery attacks on targets in southern Lebanon yesterday.

The attacks came after an Israeli town was hit by rockets fired across the border by Lebanese militiamen who were seeking revenge for the killing of Sheikh Abbas Musawi, leader of the Shia Moslem fundamentalist organisation Hizbollah.

The fighting, the most intense in the area for years, continued unabated for the third day following the death of Mr Musawi in a rocket strike by Israeli helicopters in south Lebanon on Sunday.

It prompted Mr Yitzhak Shamir, prime minister, to warn that Israel was ready to use "all our might" to stop attacks on its territory. He denied suggestions that he was planning a large-scale action similar to the 1982 Israeli invasion of Lebanon.

Mr Shamir was speaking after visiting a bus station in an Israeli border town hit by Katyusha rockets – the most dramatic Hizbollah strike to date. No one was injured, but 13 people were treated for shock. Residents of Kiryat Shemona and other border towns have spent much of the time since Sunday in bomb shelters.

Later, Israel – apparently using US-supplied Apache assault helicopters – fired rockets on an alleged Hizbollah base in the village of Jibsheet. No one was reported hurt.

Iranian-backed Hizbollah, which normally confines its actions to attacks on Israeli forces and their local allies occupying a strip of Lebanese territory, has fired dozens of Katyushas across the Lebanese-Israeli border since Mr Musawi's death.

"They have a lot of Katyushas, but we will overcome them and disarm them," Mr Shamir said. "There is no doubt that the [army] and the whole state and all our might are ready to give the answers which will grant the whole area security."

Mr Ariel Sharon, the housing minister who as defence minister led the 1982 invasion, was reported by Israel army radio as calling for a northward extension of the "security zone" to push the Hizbollah rockets out of range.

But, Mr Shamir said: "It will not be the same as it was in 1982. I think in a few days we will have full security."

Officials in the area said Israeli shelling of Hizbollah strongholds intensified after the bus station attack.

Ukraine believes CIS is 'doomed'

By John Lloyd and Chrystia Freeland in Kiev

THE UKRAINIAN leadership believes that the Commonwealth of Independent States is doomed as an effective long-term force.

According to Mr Ivan Pliushch, chairman of the Ukrainian parliament, it will have only a "transitional" function in enabling former Soviet states to go their own way. Mr Pliushch described the CIS as a "form which helps the states of the former Soviet Union to go through a divorce process".

The CIS, he said, was "on the edge of a precipice" and he accused Russia of seeking to re-establish a union structure. "Under the cover of co-operation, they really wish to govern," he said.

Ukrainian president Mr Leonid Kravchuk, speaking in Kiev to foreign journalists yesterday, again attacked Russian president Boris Yeltsin for announcing a reduction in nuclear weapons in Washington earlier this month without reference to the presidents of other states of the CIS. He demanded consultation in the future.

"I am not against a reduction of nuclear arms but it must be founded on reality. We must know how the reduction will be carried out, and in what stages," Mr Kravchuk said.

Ukrainian officials assert their intention to apply for membership of the Council of Europe and ultimately the European Community as an independent state.

Mr Pliushch said that he "resented" the fact that Russia was seeking to negotiate with European institutions on behalf of other CIS member states. Mr Mykola Mykhalchenko, chief political adviser to the Ukrainian president, said the meeting of CIS heads of state in Minsk last Friday "decided nothing". He held out little hope of arriving at more conclusive decisions at the next meeting in Kiev on March 20.

Prof Volodymyr Vasylenko, a senior adviser to the Ukrainian government, said Ukraine would seek to avoid an open rift before 1994, the deadline for removing all nuclear weapons from Ukraine.

However, the Ukrainian view of the Commonwealth as an institution designed for breaking apart rather than working together is at odds with that of other member states. The attitude of Ukraine could influence western policy towards the former Soviet Union.

Western anxieties have been raised by the deterioration in relations between Ukraine and Russia, the two largest states of the CIS.

Military tension between the two rose after six bombers were flown from a base in Ukraine to Russia. Ukraine retaliated by taking over the strategic bomber base at Uzmin, near Kiev.

Mr Mykhalchenko said of Mr Yeltsin: "The leader of Russia says one thing at breakfast, another at lunch and a third at supper. This is impossible."

Mr Kravchuk said that, while he would not describe Russia as imperialistic, there were "imperialist forces within its government".

Canadian credit line, Page 2
Defence industry conversion, Page 2

Under attack: Boris Yeltsin defends his economic reforms on Russian state television yesterday

Air raising scheme to clear ozone pollution in Mexico

By Damian Fraser in Mexico city

MEXICO CITY's government is considering installing 100 giant hot-air ventilators across the nation's capital, in a bizarre effort to blow pollution away from the city.

Mr Manuel Camacho, the city's mayor, has embraced the proposal, saying it "could not be faulted theoretically." The ventilators would be an additional tool in the fight against pollution, he said.

The devices would supposedly create an effect similar to a hurricane, lifting the pollution – and conceivably anything else not firmly bolted to the ground – from the capital.

The idea is to place 100 ventilators roughly every 1,000 square metres in specially designated parks or gardens, at a cost of around $100m. The ventilators would consist of a series of fans and an incinerator that would heat the air between the fans, to blast polluted air from the mountain-ringed capital.

The scheme has generated enormous publicity, mostly sceptical. "The project has no technical foundation whatsoever," said Mr Luis Manuel Guerra, director of the Autonomous Institute of Ecological Research, Mexico's leading ecological research institution. "To think that you can solve the problem of ozone with this device shows a complete lack of knowledge of the atmospheric chemistry of ozone". The incinerators will burn natural gas, and thus worsen the city's ozone problem, according to Mr Guerra.

The scheme was originally proposed by one of Mexico's most distinguished leftwing opposition politicians, Mr Herberto Castillo, who is also a civil engineer. Mr Guerra suggested that the ventilator project was "purely political" and merely "an initiative of Mr Camacho to open space to an opposition party in the federal district".

The ventilator scheme was announced on the day ozone reached "very dangerous" levels in Mexico City. No final decision will be made on the plan until further studies are completed.

EC commissioner says companies should pay for damage they cause

Brussels targets road hauliers

By David Buchan in Brussels

ROAD TRANSPORT companies should be made to pay the full cost of the damage they do to the environment, Mr Karel van Miert, the European Community's transport commissioner, said yesterday.

His appeal came as the European Commission published a discussion document calling for environmental factors to be taken into account when setting transport policy. The paper noted that over the next 20 years, growth in road haulage would be 42 per cent, rail cargo 33 per cent, air passenger traffic 74 per cent, while the number of cars would increase by 45 per cent.

It was essential, Mr Van Miert said, for road hauliers to bear the full costs of the damage they did to the environment. He called for action to bring vehicle taxes into line across the Community to prevent distortions in competition.

Increased taxes would provide more incentive to use other forms of transport such as the railways, inland waterways and the sea, he added.

In another move to make EC transport more environmentally friendly, the Commission yesterday proposed that governments should cut excise duty on biofuels, made from agricultural products, to one tenth of that on regular petrol and diesel. Such a move would provide alternative uses for Community farm surpluses and reduce pollution.

The Commission claimed that with such a tax incentive biofuels could become a commercial proposition, accounting for perhaps 5 per cent of overall petrol consumption in the long term.

Mrs Christiane Scrivener, the EC commissioner responsible for tax matters, said recent technical advances had brought down the cost of making biofuels. For instance, the wholesale price of "diester", a fuel derived from vegetable oil, was now about Ecu300 ($372) for 1,000 litres, not much above that of diesel, which was around Ecu200 for 1,000 litres.

According to the Commission, use of biofuels would cut pollution from carbon and sulphur dioxide. But the European Environmental Bureau in Brussels said these reductions would be marginal in a tax scheme which might only encourage more driving and more "industrial" farming.

Although there appears to be some interest in the Commission proposal in France, Italy and Germany, many EC governments will not want to see their excise revenue reduced. All EC tax plans require unanimity to pass.

● The Commission yesterday put on hold controversial proposals that would require environmental vetting to be built into planning procedures across the EC far earlier than is now the case, Reuter reports from Brussels.

Commission sources said that Mr Carlo Ripa di Meana, the environment commissioner, failed to win backing from a majority of his colleagues in the 17-member EC executive for issuing such a proposal in the near future.

His plan, the precise scope of which is still being discussed, would oblige public authorities to assess the environmental impact of development decisions well before they turn into concrete projects.

Internal drafts of the proposal have already created a furore in Britain, which is at loggerheads with the Commission over a charge that environmental assessments carried out on seven large projects were not adequate.

Present rules agreed by governments in 1985 require such vetting – for new motorways, industrial plants and other large schemes – only at the project stage. Many say this is often too late to minimise damage to the environment.

The plans have also met stiff opposition from aides to the Commission president, Mr Jacques Delors, who have argued that planning procedures should be left to national authorities to determine, officials said.

EEA treaty delay, Page 3

Greenspan sees upturn

Continued from page 1

institutions.

The report also predicts economic growth of 1¾ per cent to 2½ per cent during the course of this year, roughly in line with the Bush administration's forecast of 2.2 per cent. It predicts inflation of 3-3.5 per cent in the year to the fourth quarter of 1992, with further progress in future.

Mr Greenspan provided no clear signal on interest rates. However, his bullish remarks about the economy may be interpreted as further evidence that the Fed is not contemplating any further easing of monetary policy in the near future.

He confirmed that the reduction in reserve requirements for commercial banks announced on Tuesday was intended to boost bank profitability and ease the credit crunch rather than as an easing of monetary policy.

Bush promises Buchanan a tough battle

Continued from Page 1

ment cannot do any better than that, I think they should really stand down," he said.

Mr Bush yesterday acknowledged the weakness of his performance and promised a tougher campaign.

"All I did was lay back and get hammered by these Democrats and, to some degree, by Pat," he said. "I've been in tough fights before and I'm looking forward to this one."

In New Hampshire, he avoided attacking Mr Buchanan or even mentioning his name. Yesterday, he threatened some of the ferocious advertising that he used to destroy Mr Michael Dukakis, his Democratic opponent in 1988.

"We might have to define the opponent. I've been very kind and gentle. I'll still be kind, and I'm now debating how gentle to be," he warned.

Mr Bush also took aim at his Democratic opponents, noting that Mr Paul Tsongas, who won his party's primary in New Hampshire with 35 per cent, disapproved of the economic programme put forward by Democrat leaders in Congress.

Mr Tsongas and Governor Bill Clinton of Arkansas, who came a strong second in New Hampshire with 26 per cent of the vote, have now emerged as the Democratic frontrunners. Senator Bob Kerrey of Nebraska and Senator Tom Harkin of Iowa, who finished third and fourth, now face a battle for survival.

Although some Democratic leaders are unhappy with the current candidates, the chances of a new contender, such as Mr Richard Gephardt, the House majority leader, appear remote.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	11	52
Algiers	S	13	55
Amsterdam	R	3	37
Athens	S	9	48
Bahrain	S	17	63
Bangkok	F	34	93
Barcelona	S	12	54
Beijing	S	5	41
Beirut		–	–
Belfast	S	6	43
Belgrade	C	-1	30
Berlin	Sn	1	34
Biarritz	F	5	41
Bombay	S	25	77
Bordeaux	S	5	41
Boulogne	S	4	39
Brussels	F	1	34
Budapest	F	1	34
Buenos Aires	F	34	93
Cairo	S	22	72
Cape Town	S	30	86
Caracas	F	27	81
Casablanca	F	16	61
Chicago	Dr	2	36
Cologne	C	2	36
Copenhagen	S	1	34
Corfu	S	8	46
Dallas	S	4	39
Dublin	F	7	45
Dubrovnik		–	–
Edinburgh	S	4	39
Faro	S	13	55
Florence	S	7	45
Frankfurt	F	2	36
Geneva	C	-3	27
Gibraltar	R	14	57
Glasgow	S	1	34
Helsinki	F	-5	23
Hong Kong	R	15	59
Innsbruck	S	-4	25
Inverness	S	5	41
Islamabad	C	11	52
Istanbul	F	2	36
Jakarta	F	30	86
Jersey	S	2	36
Johannesburg		–	–
Lima	C	28	82
Lisbon	S	8	46
London	C	3	37
Los Angeles	S	11	52
Luxembourg	C	-1	30
Madeira	C	16	61
Madrid	R	4	39
Majorca	F	12	54
Malaga	R	12	54
Malta	R	10	50
Manchester	C	5	41
Manila	F	33	91
Melbourne	C	19	66
Mexico City	F	26	79
Miami	S	21	70
Milan	S	4	39
Montreal	Dr	0	32
Moscow	C	-8	18
Munich	S	-4	25
Nairobi	F	29	84
Naples	S	6	43
Nassau	C	27	81
New Delhi	S	21	70
New York	C	6	43
Nice	S	9	48
Nicosia	C	15	59
Oporto	F	8	46
Oslo	S	-1	30
Paris	F	1	34
Prague	F	0	32
Reykjavik	R	3	37
Rhodes	F	12	54
Rio de Janeiro	F	37	99
Rome	S	9	48
Salzburg	S	-1	30
San Francisco	Dr	13	55
Seoul	S	0	32
Singapore	C	26	79
Stockholm	F	-2	28
Strasbourg	S	1	34
Sydney	C	22	72
Taipei	R	14	57
Tangier	T	14	57
Tel Aviv	S	19	66
Tenerife	C	20	68
Tokyo	S	9	48
Toronto	R	1	34
Tunis	C	10	50
Valencia	C	8	46
Venice	S	6	43
Vienna	Sn	0	32
Warsaw	Sn	-1	30
Washington	C	8	46
Zurich	S	-3	27

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

THE LEX COLUMN

BAe begins the long haul

Even after yesterday's figures, it requires considerable faith to believe that the shocks are over at British Aerospace. Certainly, the effort to improve cash-flow, particularly the inventory cutback at Rover, is impressive. But after last year's upset, a still suspicious market will want to double check the annual report for signs of window-dressing to boost the cash position. BAe also has to demonstrate that it can continue to contain its working capital and even squeeze it further.

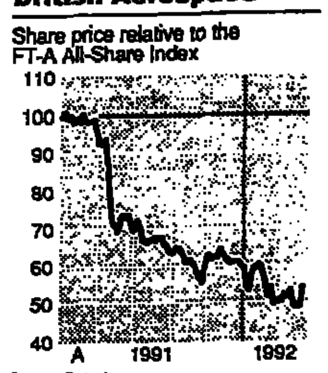
In theory the company should be looking forward to an eventual period of rapidly improving profits as its Airbus investment pays off, its promised defence contracts with Saudi Arabia are finally signed and a turnround in the UK car market produces a steep jump in Rover's margins. But none of these cash-rich prizes are yet secure. Meanwhile, the regional jet market is depressed; the Airbus programme still requires heavy investment spending; and the company has no permanent chairman to shape its long-term future.

The shares thus retain an essentially speculative quality despite their 31p jump to 303p yesterday. That gives a historic yield of 11 per cent, more than twice the industrial market average. But Sir Graham Day was careful not to commit his successor to any future dividend policy. On past performance BAe seems most comfortable with a dividend cover of about three, requiring earnings of at least 75p. With that still a distant prospect, the payout at best may only be maintained for several years to come.

FT-SE Index: 2,536.7 (−19.2)

British Aerospace

Share price relative to the FT-A All-Share Index



Source: Datastream

Lloyds Abbey

The market was presumptuous yesterday to expect a more generous final payout from Lloyds Abbey Life. Distributable profits in 1991 surpassed dividends by 25 per cent, but it is hard to see the company being comfortable with cover much below the 1.4-1.5 times favoured by the old Abbey, and by Hambro Life before its takeover by BAT.

A more legitimate question for investors is where future profits will come from to sustain the present rating of the shares. After-tax profits of the established insurance business have grown just 17 per cent over the last four years, and are bound to feel the draught this year from the newly created J Rothschild Assurance. Bowmaker is in the doldrums, and may well require a further £100m provision in 1992 as individual and small business borrowers suffer disproportionately at this stage in the cycle. Black Horse Agencies desperately needs a turnover increase in the housing market, but few expect the current increase in inquiries to translate quickly into higher sales. All this puts enormous pressure on the company's continuing ability to sell life and general insurance products through the bank – a market which is far from exhausted but which cannot continue to grow indefinitely.

On the face of it the shares look well supported with a 6 per cent yield and an historic multiple of just 12 at last night's closing price of 379p. That is forgetting the cloudy dividend prospects and the sharp premium which investors are paying over embedded value. They are not yet cheap.

Japan

It says much about the nervous disposition of the Japanese equity market that it should have fallen by 1.2 per cent on reports, later confirmed, that Sony Corporation is heading for its first annual operating loss since its listing in 1958. Sony's difficulties were evident at its interim results, so the news should have long been in the price. By the same token, there is widespread talk in Tokyo of nasty profit falls at the corporate year-end in March. When a market is this apprehensive, it takes a brave investor to decide that all the bad news is discounted.

Indeed, the slide in the Nikkei index over the last week has been sufficiently alarming to have reopened the prospect of emergency measures should it threaten or fall through the 20,000 level. Those who remember the rigorous defence of the equivalent technical level in 1965 think a repeat performance is coming: the favoured intervention by the authorities is a sharp cut in interest rates, perhaps of ½ point.

Such a knee-jerk response should at least stabilise the market by making equities cheaper. It might also be justified on domestic economic grounds. But the yen, weak already, would surely suffer on the foreign exchange markets. That might cause capital adequacy problems of a different sort for the banks because of their still large overseas assets. It would also leave any investors left in the market looking for stocks most heavily geared to the US economy, including ironically Sony.

German banks

German banks are preening themselves on their bumper profits in 1991 despite the steeply inverted D-Mark yield curve. Apparently they have learned from the early 1980s when Commerzbank in particular ran into trouble through mis-matching assets and liabilities. But the banks also received generous help last year through a combination of high loan demand and a supply of retail deposits at rates well below those that applied in the money market.

Neither benefit is likely to last. Credit demand will fall away as the economy slows, while persistently high money rates will make depositors more demanding. Hardest hit will be savings banks, but even large commercial banks will be hard pushed to grow their lending profits. The race is on to cut costs and raise fee income, which helps explain why banks are taking a tough line with the unions. For all the machismo of its dividend increase, even Deutsche Bank will have to work hard. It has a large stock of retail deposits and has invested heavily in becoming the largest player in the former East Germany.

BP

The strangest thing about the board changes at BP is their timing. A week ago, the poor annual results were accompanied by sincere expressions of boardroom solidarity. Now that looks distinctly hollow. The individual changes may be logical enough, but as a whole they give an impression of turmoil. BP's chairman has been out wooing the big institutions of late. After yesterday that is going to be an even harder job.

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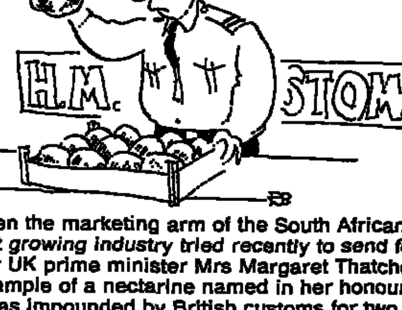
INSIDE

Honda Motor pre-tax profits fall by 24%

Honda Motor, the Japanese car and motorcycle maker, yesterday reported pre-tax profits down 24 per cent to Y21.94bn ($171m) from Y16.75bn in the third quarter to December against a year earlier in spite of sales 2.8 per cent higher at Y1,045bn from Y1,017bn. Page 18

South African fruit drive



When the marketing arm of the South African fruit growing industry tried recently to send former UK prime minister Mrs Margaret Thatcher a sample of a nectarine named in her honour, it was impounded by British customs for two days. But as the international marketing effort of the South African fruit industry gathers momentum, growers are expecting to make deep inroads into markets previously barred to them. Page 22

Pilkington sells US unit

Pilkington, the UK glass group, has agreed to sell Coburn Optical Industries, a US subsidiary which makes spectacle and contact lens processing machinery for $40m cash. Pilkington put Coburn on the market last May and had hoped to raise more than $50m through the disposal. Page 20

Restructuring at Azabu

Azabu Building, a Japanese property company facing increasing financial difficulties, has announced a restructuring plan involving significant sales of its property holdings and a freeze in interest payments to its creditors. Page 18

Treuhand to double CP issues

Germany's Treuhand privatisation agency plans to double to DM10bn ($6bn) the successful commercial paper programme it began last year. The expansion of the short-maturity paper, which has a low Federal government risk, takes place against the background of DM30bn in new debt issued this year by the Treuhand. The agency predicted a positive market response to the new issue. Page 18

Owners Abroad jumps 107%

Confirmation that the recession has not stopped the British from holidaying abroad came yesterday when Owners Abroad, the UK's second-largest package tour company, reported full-year pre-tax profits up 107 per cent to £31.6m ($55.3m). Page 20

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Rises			
DLW	519.5	+	12.5	EBF	778	+	23
Falls				Fonc Lyonn	639	+	30
Aachen	852	–	30	Gal Lafayette	1550	+	95
Douglas	645	–	15	Imetal	290	+	9.8
Lahmeyer	802	–	23	Poliet	442	+	11
Mercedes	559	–	10	Sagem	1750	+	75
Springer	485	–	15	TOKYO (Yen)			
NEW YORK ($)				Rises			
Rises				Janome Sewing	490	+	30
Bank Boston	17½	+	1⅛	Kojima Iron	550	+	50
Hewlett-Pack	70⅝	+	6¼	Falls			
Michael Food	19¼	+	1¼	Ind Bank	2500	–	180
Falls				Kimura Chem	671	–	48
Cardiocorp	35½	–	5¾	Tokyo Dome	2320	–	170
Mail Box	35¼	–	3⅛	Yasuda Trust	1170	–	80
Rohr	17⅞	–	2¼				

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Drayton Cons	147	–	43
Alumasc	427	+	23	Glaxo	828	–	22
Brit Aerospace	303	+	30	Green Prop	75	–	20
Bullough	159	+	7	Hardy Oil	108	–	11
Clyde Blowers	313	+	15	Harland Simon	173	–	25
Leslie Wise	65	+	7	LASMO	197	–	9
New Cavendish	53	+	8	Lloyds Abbey	379	–	11
Polymark	38	+	2	Osprey Comm	16	–	3
Virtan	261	+	6	Ranger Oil	398	–	22
Falls				Ratners	18½	–	1¾
BP	251	–	14	Tarmac	118	–	4
Delyn	31	–	5				

Rhône Poulenc boss hints at sell-off

By Paul Abrahams in Paris

RHONE POULENC, France's largest chemical group, may be about to move more fully into the private sector, it was announced yesterday.

Mr Jean-René Fourtou, chief executive, said it was probable the French state would reduce its 56.9 per cent holding in the company. He raised the possibility of a full-scale privatisation.

"The policy of 'ni-privatisation ni-nationalisation' is not as vigorous as before," he said. "The decision is not in my hands, but it is probable the government's stake will be reduced within the next three years.

"The question now is whether the state holding should be a minority interest or nothing at all," he said.

"Whatever the conclusion of the legislative elections next year the situation will change. The share sale may even happen before the elections. Our shares were up 2 per cent today so it seems there is no shortage of money out there to buy Rhône-Poulenc's shares."

Mr Fourtou's statement follows recent legislation allowing the government partially to privatise state-owned groups. Crédit Lyonnais, which is 60 per cent owned by the state, holds 9.4 per cent of Rhône-Poulenc. Mr Fourtou said he had no indication that Credit Lyonnais wanted to sell its share of the company.

Mr Fourtou announced the company's full-year results, which included a 37.5 per cent rise in operating income from FFr4.56bn ($810m) to FFr6.27bn and profits before tax up 17.8 per cent from FFr 3.75bn to FFr 4.42bn. Turnover rose 6.9 per cent from FFr78.4bn to FFr83.8bn.

The increase in operating income was highly dependent on Rhône-Poulenc's pharmaceuticals operations, and particularly on the performance of Rhône-Poulenc Rorer, which was created in 1990 after the French company acquired a 68 per cent stake in Rorer, the US pharmaceuticals group.

The dire state of the chemicals industry was demonstrated by the performance of the non-healthcare divisions where operating income fell by FFr400m. The specialty chemicals division had a turnover of FFr14.8bn but made an operating surplus of only FFr100m last year.

The healthcare division's operating income more than doubled from FFr2bn to FFr4.2bn. However, without the Rorer acquisition the division's pre-tax profits would have grown by only 13 per cent, said Mr Fourtou.

He added that it might take five years for the full benefits of the company's acquisition programme to work their way through.

He said his priority remained reducing the company's debt following its substantial acquisition programme in 1989 and 1990. Net debt had fallen from FFr34bn in 1990 to FFr33.1bn at the end of 1991. The aim was to reduce the company's debt-to-equity ratio from 0.78 at the end of last year to as close to 0.5 in 1993, he said.

Earnings per ordinary share rose 1.9 per cent from FFr20.15 to FFr20.53. The dividend was held at FFr15.75.

Hewlett Packard earnings rise boosts share price

By Louise Kehoe in San Francisco

HEWLETT-PACKARD yesterday reported stronger-than-expected earnings for its first fiscal quarter, boosting the company's stock price by more than $5 or 8 per cent.

The US computer and electronic instruments manufacturer was helped by a sharp increase in orders for its laser printers and strong demand for its computer workstations.

Earnings for the quarter rose 49 per cent to $306m, or $1.21 per share. Wall Street analysts had been projecting earnings between 79 cents and 95 cents per share. Net earnings in the same period a year ago were $205m, or 83 cents.

Revenue for the quarter was $3.9bn, up 13 per cent from $3.4bn last time. US sales totalled $1.7bn, up 13 per cent, while sales outside the US rose 14 per cent to $2.2bn, the company reported.

"These results reflect the strong acceptance of HP's newer products and our on-going efforts to slow the growth of expenses," said Mr John Young, president and chief executive.

As a percentage of net revenue, operating expenses declined to 34.6 per cent from 37.7 per cent a year ago.

Although the November acquisition of Avantek, a semiconductor manufacturer, added about 1,800 employees, overall employment for the quarter increased only 700 people to 89,700.

For the first time, the group provided a breakdown of its computer sales revenues, which rose to $2.8bn in the quarter from $2.4bn last year.

In the key computer workstation market, HP holds an estimated 16 per cent share, running second to Sun Microsystems. Last month HP launched a new $5,000 workstation twice as fast as Sun's lowest-priced model.

In the maturing market for electronic instruments, Hewlett-Packard's sales declined, from $568m in the first quarter of 1991 to $526m. However, sales of medical electronic equipment rose to $229m from $214m, while those for analytical instruments advanced to $169m from $154m. Electronic components sales rose sharply to $106m from $68m.

Mr Young said the company "remains cautious in our outlook because of continuing economic difficulties in the US and slower growth in some key markets outside the US."

He added that the goal for the year was to sustain its improved financial performance.

Peter Bruce reports on the fall from investment glamour of Ibercorp

A cautionary tale of banking in Spain


Mariano Rubio


Manuel de la Concha

Twenty-five years ago, when Mr Manuel de la Concha, former president of the Madrid stock exchange, was a mere *agente de bolsa*, or stock market notary, one of the people who entrusted an investment portfolio to him was his good friend Mr Mariano Rubio, now the governor of the Bank of Spain. He must now be wishing he had not.

For Mr de la Concha's story has become a cautionary tale of modern Spain and threatens the credibility of a chunk of Spanish investment banking.

Taking advantage of the economic good years after Spain joined the European Community in 1986 and a rush of Spanish brokers and bankers into new financial services, Mr de la Concha and his partner, Mr Jaime Soto, built their Ibercorp group into the most glamorous of the small new investment banking conglomerates.

By last year, Ibercorp's clients had placed some Pta21bn ($203.9m) under its management, ranking the group's bank among the country's top 20 in that category. It had joined forced with Crédit Agricole of France in leasing and other financial services.

Ibercorp was one of the first of the new boutiques which marketed themselves as personal fund managers and pioneered a Spanish twist to the mergers and acquisitions strategies they were learning from bigger competitors.

The small Spanish financial groups – especially after the liberalisation of the stock markets in 1989 made it clear there would not be much margin in straight broking – began to buy weak investment targets and restructure them before floating them off or selling them directly to foreign buyers.

This worked well but then the Gulf crisis throttled the stock market. Ibercorp bought and tried to float a metal shelving company but had to sell it back to its original owner in late 1990. Earlier, it had bought an office furniture group, Sistemas AF, turned it around and then sold off the assets, keeping the holding company for itself.

Some of the money Mr Rubio had lodged with Ibercorp was invested in this rump, now renamed Sistemas Financieros. In spring of 1990, its stock came under heavy selling pressure, with one of the big buyers being the company itself, which accumulated heavy treasury stocks. Soon after, the shares collapsed.

Among the shares bought back at good prices by Sistemas Financieros were Mr Rubio's, along with some other public figures. They are now being accused by the press of receiving favoured treatment from Sistemas Financieros while other shareholders were left to take losses.

Mr Rubio is in considerable trouble, especially as his second term of office ends this summer. He confirmed that last Monday he offered his resignation to the finance minister but was told to stay on. His going would be a pity, because he has skilfully presided over the liberalisation in Spanish banking. Mr Rubio's total portfolio is worth only $120,000.

"I never paid any attention to my portfolio," he said yesterday. "I had always said that if I needed to know something about the portfolio I would ask." Mr Rubio is to appear before a parliamentary commission today to answer questions on the affair.

Mr Rubio's real problem, it seems, was in leaving his portfolio with Ibercorp in the first place and that Mr de la Concha invested it in a company he controlled. As the Spanish stock market has fallen, it has become clear that many of the small financial services groups created in the past four years simply do not have the the capital with which to cushion themselves against hard times.

The Bank of Spain, which has handed out banking licences to boutiques since 1986, got its first taste of trouble last year when Banco Europeo de Finanzas, the head of a mini financial services conglomerate, found itself unable to meet a Pta17bn obligation in the interbank market. The bank was sold off to its creditors.

The BEF saga frightened larger Spanish banks into freezing interbank business with the boutiques and Mr Rubio was forced to set aside about Pta40bn to ensure that others did not get into similar trouble. Spain's banking crisis of the early 1980s, in which about 40 banks had to be rescued, still jangles nerves in Madrid.

Every time a niche opens in Spain – the latest is unit trusts – the boutiques and their larger foreign and domestic competitors have rushed to fill it. "In the good times," says the governor, "everyone wants to do the same things." But as the boutique business has spread, so have Mr Rubio's nerves been stretched.

Earlier this year, the finance ministry and the Bank of Spain took the unusual step of declaring that no bank would be allowed to go to the wall. Now, as some small banks report tight conditions on the interbank market, the Bank of Spain is again offering to help with liquidity. "The other small banks will have time to deal with any problems," Mr Rubio promises, but conceded that the scandal surrounding Ibercorp was creating problems for the bank.

Not only is Ibercorp being accused of favouring powerful clients but when the stock market commission began investigating the share sales by Sistemas Financieros, Mr de la Concha inexplicably altered the names of some of the sellers – Mr Rubio became "M Jimenez", Jimenez being his mother's name. The media assumed he was trying to disguise the names.

This is dynamite in a country concerned about its international image as a cliquey, corrupt and impenetrable place of business. It has also become clear that an audit by Arthur Andersen of the Ibercorp group stated its 1990 losses were some Pta2.5bn higher than the Pta473m group loss Ibercorp had publicly declared. Ibercorp is now up for sale. The Bank of Spain has offered it, in vain, to almost all of Spain's large commercial banks. "We have always done this sort of thing when banks get into trouble," Mr Rubio said, but "this is not a very good year for banking. The market is very competitive."

He said there was "some optimism" that a buyer could be found "but it is not certain". Ibercorp, he said, would normally easily survive, but constant attacks in the press "can create problems for any institution". Investors have withdrawn about $11m from Ibercorp's managed investment trusts – about a third of its unit trust portfolio – since late last week.

If Ibercorp fails, so could Spain's experiment with specialised investment banking. And Mr Rubio's position as chief regulator could become untenable.

IBERCORP - unconsolidated group results (Pta millions)

	1990 Declared Result (net)[1]	1990 Audited Result[2]	1989 Declared Result	1989 Audited Result
Banco Ibercorp	140	162	73	51
Grupo Financiero Ibercorp	265	-669	-	-
Sistemas Financieros	789	-88	-	-
Ibercorp Bolsa	-137	-	31	31
Ibercorp Financiecion[3]	-1,076	-1,351	-335	-504
Ibercorp Leasing[3]	-417	-767	-469	-519
Sistemas y Desarrollos Inmobiliarios	-37	-37	-15	-

[1]Results passed by group to stock market and banking regulators
[2]Adjustments and qualifications by Arthur Andersen
[3]70% controlled by Credit Agricole
Source: Audited Accounts and 'Expansion'

BAe results fall into £81m loss

By Paul Betts, Aerospace Correspondent

BRITISH Aerospace reported yesterday a pre-tax loss of £81m ($141.7m) last year compared with pre-tax profits of £376m in 1990.

The result was much in line with City expectations but better-than-expected cash flow in the second half of last year, as a result of a reduction of working capital, sent BAe shares 11 per cent higher. The shares closed yesterday at 303p, up 30p in a day which saw the highest volume of trading in the company's shares since July 1988.

The company maintained its final dividend at 16.1p bringing the total for the year to 25p a share, the same as 1990.

Profits before tax and exceptional items amounted to £154m compared with £400m the year before. This was £4m higher than its autumn forecast.

Exceptional restructuring charges of £235m were taken to cover the company's rationalisation programme.

However, after a substantial cash outflow in the first half of last year, the company said it achieved an underlying cash inflow of £630m in the second half mainly because of strength in its defence activities and a reduction in working capital at its Rover car subsidiary.

With the benefit of its £432m rights issue, the company finished last year with a net cash balance of £323m compared with £711m in 1990.

BAe's defence business accounted for the lion's share of the group's earnings with trading profits before interest of £500m compared with £486m.

Commercial aircraft operations reported a trading loss of £37m compared with a surplus of £14m. The company's regional aircraft operations faced particularly difficult conditions, said Sir Graham Day, BAe's interim chairman.

The Rover car subsidiary faced tough market conditions but contained trading losses before interest to £52m, compared with £65m the year before.

The property development business saw its losses grow to £24m last year from £8m, while construction activities increased profits to £40m from £28m.

The group's total sales were flat at £10.56bn last year compared with £10.54bn in 1990.

Sir Graham said BAe expected to appoint a chairman and finance director at its annual meeting in April or May.

Commercial aircraft side deeper in loss, Page 21;
Lex, Page 14

Management to buy out UA cinemas

By Nikki Tait in New York

TELE-COMMUNICATIONS (TCI), the largest operator of cable television systems in the US, announced yesterday that it had agreed to sell the United Artists cinema chain to a management buy-out, backed by Merrill Lynch Capital Partners, for around $680m.

The chain comprises 2,398 screens, spread over 502 sites in the US and Puerto Rico, making it the nation's biggest cinema operator.

No financial details for the cinemas were disclosed, but the price is thought to represent around seven times cash-flow.

The sale follows the acquisition by TCI of all of United Artists Entertainment's stock last year.

UAE, ranking number three in the cable TV industry, was formed by the merger of United Cable and United Artists Communications in 1989. After lengthy negotiations, TCI – already a 54 per cent shareholder in UAE – agreed to buy out the remaining equity for $1.1bn in stock and cash.

Since the TCI/UAE merger became a strong possibility, Mr Stewart Blair, former chief executive of UAE, has been attempting to acquire the Denver-based cinema chain which TCI acknowledged was peripheral to its cable business.

News of his negotiations first became public last August.

Under yesterday's deal, Mr Blair – with more than a dozen other members of the cinema chain's management – will be backed by Merrill Lynch Capital Partners, which manages two leveraged buy-out funds. It is a wholly-owned subsidiary of the Wall Street investment bank.

The deal envisages $112m of equity funding, provided by management and the LBO backers; $92.5m of preferred stock to be issued by the buyer to TCI; and then a layer of debt financing. Closing of the deal is subject to financing and certain other conditions.

Yesterday, parties involved in the deal said the plan was to run the cinema chain on existing lines, and that only a few extraneous pieces of property might be sold off.

The Merrill Lynch LBO funds hold more than 20 investments. The second of the two funds will be about 50 per cent-invested after this deal.

Cable and Wireless names Ross as chief executive

By Hugo Dixon in London

CABLE and Wireless, the UK telecommunications group, appointed a new chief executive yesterday, completing a management shake-up instituted by Lord Young, executive chairman, soon after he joined 18 months ago.

Mr James Ross, currently chairman and chief executive of BP America, the oil group, takes up the job on May 1.

He fills a position which has been vacant since Mr Gordon Owen resigned last year.

Lord Young said it was "more important to get a good international manager than someone who knows telecommunications".

Mr Ross is expected to be responsible for day-to-day management with Lord Young, a former Conservative cabinet minister, keeping control of strategy and political liaison.

Mr Ross, a British citizen, has a reputation for having a safe pair of hands and is thought unlikely to challenge Lord Young's authority.

A stockbroker who follows the oil industry said Mr Ross was not seen as a candidate for the top job at BP and dismissed suggestions that his move could be connected with reports of boardroom divisions at the oil group.

Mr Ross, 53, has been with BP since 1959, working in France, Africa and the UK as well as the US.

In a separate move, Cable and Wireless will launch a new corporate identity later today. The launch involves modest changes to the current logo, replacing the "and" in Cable and Wireless with an "&".

Observer, Page 12

Caltagirone wins Cementir bid

By Haig Simonian

CALTAGIRONE, an Italian construction group, yesterday beat consortia including representatives of both the Ferruzzi and Agnelli groups in the race to win a controlling stake in Cementir, Italy's third-largest cement manufacturers.

Caltagirone is believed to have offered around L480bn ($388m) for the 51.78 per cent share in Cementir, which was put up for sale last year by IRI, the Italian state holding company, as part of the country's sporadic privatisation programme.

The price represents a premium of almost 100 per cent over the stake's current stock market value, and will come as a welcome shot in the arm for IRI, which is suffering severe financial difficulties.

Its holding in Cementir had a book value of L307.5bn, while the sale price is also well above the L340bn estimate by SIGE, the Italian merchant bank which valued the holding.

Cementir had sales of L426bn and produced 3.85m tonnes of cement last year. The company, which has almost 1,400 employees, had around 9.5 per cent of the Italian cement market, trailing Italcementi and the Agnelli-controlled Unicem group.

After a long process, the number of bidders was whittled down to six and then three, prior to yesterday's final choice. However, the last stage in the battle maintained the auction's reputation for controversy. The consortium led by the Ferruzzi Calcestruzzi building arm angrily criticised a lack of transparency in the adjudication process.

Shares in Cementir, which were on Tuesday suspended pending the outcome of the auction, will resume trading today.

French holiday group's profits advance

By Alice Rawsthorn in Paris

NOUVELLES Frontières, the French holiday company, bucked the recession in the travel market by increasing profits by 62 per cent to FFr112.8m ($20.1m) in the year to September 1991 from FFr69.7m in the previous year.

Mr Jacques Maillot, president, said that Nouvelles Frontières, like its competitors, was affected last year by the instability caused by the Gulf war and the civil war in Yugoslavia. The company was also hit by the effects of the economic slowdown. However, it increased sales by 14 per cent to FFr4.46bn.

Nouvelles Frontières, which has interests in package tours, hotels and airlines, has emerged as the chief competitor to Club Méditerranée in the French travel market.

Package tours produced consolidated profits of FFr79.6m in the last financial year. The division benefited from an exceptional profit of FFr15.9m from the sale of Nouvelles Frontières' interest in the Opéra-Cadet hotel company.

Airline activities, which includes Corsair, the charter company, boosted profits to FFr40m. Distribution made a profit of FFr1.4m.

The only loss-making area of activity was the hotel division, where Nouvelles Frontières lost FFr4.7m, mainly because of weak demand in Tunisia and Senegal and due to the temporary closure of an hotel in Martinique.

● Arab Banking and stockbroker Goldman Sachs have continued as buyers of shares in Source Perrier, Reuter reports from Paris

The French stock exchanges association (SBF) said Arab Banking had bought 6,475 Perrier shares at FFr1,530 per share in Paris and another 9,500 shares for an undisclosed price in London. The purchases were for its own account, the SBF said.

The purchases raised Arab Banking Corp's stake in Perrier to about 2.2 per cent.

San Paolo, Fondiaria in rights issue link-up

By Haig Simonian in Milan

THE bonds between Italy's biggest banks and insurance companies are to tighten further with a wide-ranging accord between Istituto Bancario San Paolo di Torino, the big Turin-based financial institution, and the Fondiaria group, the country's second biggest private-sector insurer.

The link will come through a rights issue of up to L463bn ($374.2m) by Milano Assicurazioni, one of Fondiaria's stock market quoted subsidiaries, which is to issue 22.2m new ordinary shares and 15.2m savings shares.

As part of the deal, San Paolo will raise from 6 per cent to around 20 per cent its stake in Milano Assicurazioni. No details of how the increase would take place were revealed.

However, it is likely that some, if not all, the shares will come from Fondiaria, which currently owns 63 per cent of Milano Assicurazioni.

Fondiaria said it would "participate" in the rights issue but did not make clear whether it would take up all its rights, saying only that it "would retain control of" Milano Assicurazioni.

The new stock will be offered to shareholders on a one-for-two basis with an additional one savings share being offered for every eight shares of either category.

A premium for the new shares, which will have a nominal value of L1,000 each, has yet to be decided.

As part of the link-up, Milano Assicurazioni will sell a variety of life and non-life insurance products through the San Paolo group, expanding an existing alliance.

The deal involves both San Paolo and the group's two big regional banking subsidiaries, covering around 775 branches in all.

Fondiaria, which is a one-third shareholder in an important joint venture formed with Royal Insurance of the UK and Aachener and Munchener of Germany, said the agreement with San Paolo would roughly double premium income at Milano Assicurazioni to over L200bn a year.

Drayton Consolidated shares slide

By Guy de Jonquières, Consumer Industries Editor, in London

SHARES in Drayton Consolidated Investment Trust fell 43p to 147p yesterday on the announcement that receivers had been appointed to Alma Holdings, an unquoted confectionery company in which Drayton was a main shareholder.

Alma, which has its headquarters in Dundee, Scotland, owns some of Britain's oldest and most popular sweet brands, including Barker & Dobson, Keillers, Bensons, Hacks and Victory Vs. It has about 7 per cent of the sugar confectionery market.

Mr Rod Owen of receivers KPMG Peat Marwick said his immediate priority was to sell the company and that he was in contact with several prospective buyers. The company would continue trading, and all its staff would be kept on for the moment.

Alma, with six operating subsidiaries which have also been placed in receivership, has annual turnover of about £52m and employs almost 800 people. In the 18 months to June 30 it made a £10.5m ($17.85m) operating loss.

Drayton first invested in Alma in October 1988, when the family-owned company underwent a £29m management buy-out led by Mr Mario Maciocia, whose father founded Alma, and simultaneously acquired the Barker & Dobson confectionery business for £9.75m.

Since then, the company has been rationalised and opened a factory.

A new management team was appointed in 1990. However, its financial performance was handicapped by unexpectedly large losses at Barker & Dobson and by a high level of debt, which stands at £22m.

Mr Maciocia was reported to have admitted that Alma over-stretched itself to buy Barker & Dobson.

He said the company was "intoxicated with deal heat at the time".

Drayton said yesterday that a buyer had been sought for Alma after sales in the final quarter of last year fell well below budget. Following a worldwide tender process, discussions began with an unnamed prospective bidder.

However, following a further deterioration in Alma's performance this year, the bidder withdrew "in favour of an asset-based purchase". A receiver was appointed after it became clear that such a deal would have rendered the rest of the business insolvent and that Alma's bankers and shareholders were not prepared to extend financing.

Alma has factories in Dundee, Kirkcaldy and Glenrothes in Scotland and a sales office in Manchester.

The James Keiller confectionery business dates back to 1797, and Barker & Dobson was founded in 1834.

Norsk Data deeper in the red

By Karen Fossli in Oslo

NORSK DATA, the troubled Norwegian mini-computer group, made a loss, before year-end allocations, of NKr810m ($125.6m) for 1991, against a NKr134m deficit in 1990. It plans to cut a further 500 jobs.

The deterioration in financial performance was exacerbated by a NKr655m non-recurring restructuring charge in connection with the group's transformation into a computer service company.

Operating revenue fell 23 per cent to NKr1.81bn. Total orders last year dropped by 18 per cent to NKr1.9bn, while orders for computer systems and solutions fell by 23 per cent to NKr950m. The group's order reserve, however, rose by 28 per cent to NKr243m.

Norsk Data said developments in 1991 were dominated by the far-reaching reorganisation announced last September. "This resulted in a completely new structure built upon autonomous companies in Scandinavia," it said.

It said these companies showed a profit in the fourth quarter of 1991, their first reporting period as separate units.

The company stressed that its biggest problem in 1991 involved ND Comtec and its German subsidiary. "The collapse of the Robert Maxwell empire stopped QED Technology, a Maxwell offshoot, from reaching agreement to buy ND Comtec."

As a result, ND Comtec has been wound down and staff has been reduced to 23 from 203.

In Germany, Norsk Data reduced staff by 230 to 165. "The German operation is now concentrated and focused on maintenance activities and sales to existing customers," the company said.

It said it had cut more than 780 jobs last year within the group, and that a further 500 jobs would go this year. It would have 1,300 employees by the middle of the year.

Last year operating costs were reduced to NKr1.8bn from NKr2.31bn in 1990.

Atlas Copco tumbles 28% to SKr910m

By Robert Taylor in Stockholm

ATLAS COPCO, Europe's largest air compressor manufacturer, reported a 28 per cent drop in profits after financial items for last year, to SKr910m ($154m). Turnover fell 6 per cent to SKr15.03bn.

As a result, Atlas Copco suffered a 30 per cent drop in earnings per share to SKr14.25, although it is maintaining its dividend at SKr8 per share.

The company said restructuring measures already taken should gradually begin to improve earnings this year. However, it added that any upturn would be "subject to business conditions not deteriorating further".

The compressor technique division reported a 1 per cent decline in orders, to SKr7.46bn, and a 2 per cent fall in sales to SKr7.36bn. There was a 14 per cent decrease in operating profit in the division, to SKr10.31bn.

The company incurred a SKr47m operating loss – mainly due to restructuring costs – in construction and mining technique activities, with a 9 per cent fall in orders to SKr4.52bn and a 7 per cent decline in invoiced sales to SKr4.49bn.

The industrial technique division suffered a 33 per cent deterioration in operating profits, to SKr299m, with a 6 per cent drop in orders to SKr3.23bn. Invoiced sales fell 10 per cent to SKr3.17bn.

Internatio confident despite loss

By Ronald van de Krol in Amsterdam

INTERNATIO-MULLER, the diversified Rotterdam-based trading, transport and engineering group, fell into the red in 1991 but predicted that 1992 would bring a return to profits.

It posted a net loss of Fl 120m ($65m) compared with a net profit of Fl 2.6m in 1990. Turnover was unchanged at roughly Fl 3bn, with the effect of divestments balanced by internal growth and acquisitions.

In 1991, Internatio divested or deconsolidated 32 companies with a combined turnover of Fl 600m to focus on two core businesses: trading and technical installation contracting.

The sharp profits decline in 1991 was due mainly to Fl 90m in reorganisation provisions and book losses on the sale of subsidiaries. Internatio also booked a separate provision of more than Fl 25m to cover losses incurred in developing an automated navigation system for eight frigates ordered by the Dutch navy.

Internatio said its divestments and reorganisation had set the stage for a recovery.

It said it would not pay a cash dividend for 1991. It omitted its cash dividend for 1990 but paid a 2 per cent stock dividend.

INTERNATIONAL COMPANIES AND FINANCE

Brierley bids A$127m for ACIL

By Kevin Brown in Sydney

SIR Ron Brierley, the New Zealand entrepreneur, yesterday brought together the two investment companies with which he is associated to launch a A$127m hostile bid for Australian Consolidated Investments (ACIL), formerly Bell Resources.

The 23 cents per share bid was made through Rossington Investments, an Australian company jointly owned by GPG, Sir Ron's British investment vehicle, and Brierley Investments of New Zealand, in which he holds a 2 per cent stake.

The bid is the first joint takeover attempt by the two companies since Sir Ron acquired GPG in 1989. He resigned as Brierley Investments chairman in 1990, but remains a director.

Rossington said the bid was conditional on the cancellation of ACIL's planned sale to Lion Nathan of New Zealand of its 50 per cent share in National Brewing Holdings, formerly the brewing arm of Mr Alan Bond's Bond Corporation Holdings.

ACIL would also be required to cancel a A$220m flotation of Bass Strait oil royalty holdings planned by Weeks Petroleum, in which ACIL holds a controlling shareholding of 96 per cent.

ACIL said the offer price was "totally inadequate" and "highly unlikely to succeed" because of the conditions. ACIL shares closed one cent lower at 24 cents on the Australian Stock Exchange last night.

Mr Douglas Myers, Lion Nathan chief executive, said Lion Nathan had "an absolute and binding contract" for the purchase of National Brewing, which would give it 100 per cent of the Tooheys, Castlemaine XXXX and Swan brands. The offer was also rejected by Mr George Haines, managing director of the Adelaide Steamship group, which owns 19.9 per cent of ACIL. Mr Haines said the bid was "far too low," and did not reflect the company's true value.

Sir Ron Brierley: 'realistic bid'

Sir Ron said ACIL was "a company that needs to have a new direction. . . a company looking for a catalyst, and we are filling a void." He said the bid was realistic, but admitted it could fail if the conditions were breached.

As Bell Resources, ACIL was once a vehicle for takeover activity by the late Mr Robert Holmes à Court, who died last year. It was later part of the Bond group, which crashed last year.

● Mr Geoff Hill, the Sydney merchant banker who has guided ACIL through extensive restructuring in the past two years, said he intended to go ahead with plans announced earlier to resign as chairman, but would remain an adviser to the group. He will be replaced by Mr Alan Batley.

Honeywell drops to $102.6m in last quarter

By Martin Dickson in New York

HONEYWELL, the US controls group, reported fourth-quarter net income of $102.6m, compared with $109.2m a year earlier, in spite of the impact of the US and international economic recession.

The profits, which worked through at $1.46 a share, compared with $1.49, were struck on sales which rose 2.3 per cent to $1.71bn, with each of the company's three main businesses showing revenue gains.

The group's operating profit was $199.4m, down from $203.9m. Honeywell said operating profits had improved in the home and building control and industrial businesses, and remained steady in space and aviation.

For the full year, the company reported net income of $331.1m, or $4.70 a share, against $382m, or $5.03, in 1990.

However, the 1990 figures benefited from a lower tax rate – 28 per cent against 35 per cent – as well as a gain of $14.3m from asset sales and $10m of income from discontinued operations.

Mr James Renier, chairman, said the "stable, solid results" were a dramatic improvement over past recessions, and reflected the success of its strategy in concentrating on the core control business.

The home control division earned fourth-quarter operating profits of $88.5m, up 3.5 per cent, while orders showed a double-digit increase. The industrial business made $66.2m, up from $65.6m, with a modest increase in orders.

CBA beats forecasts and climbs to A$229m

By Kevin Brown

THE Commonwealth Bank of Australia (CBA) yesterday said a reduction in bad debts helped it record bigger-than-expected net profits of A$229m (US$176.1m) for the six months to December.

The bank, which was listed on the Australian Stock Exchange in September after the flotation of a 30 per cent shareholding by the federal government, was expected to announce profits of between A$180m and A$210m.

Shareholders who subscribed to the A$1.3bn flotation were rewarded with a fully franked interim dividend of 20 cents per share, also significantly higher than expected.

The result compared with earnings of A$532m in the corresponding period of the previous year. However, the earlier period included an abnormal profit of A$328m from the transfer of surplus staff superannuation funds. CBA said the result should be compared with the second half of the previous year, when the bank made net profits of A$44m. The second half also included the operations of the State Bank of Victoria, which was acquired by CBA for A$1.3bn.

The bank said bad and doubtful debt expense fell 36.8 per cent, compared with the previous half, from A$640.7m to A$405.1m. The level of non-accrual loans also fell to A$2.1bn net of specific provisions from A$2.16bn.

Mr Don Sanders, managing director, said the bank's performance continued to reflect the effects of recession. Demand for new finance was subdued, and viable borrowers were tending to repay debt faster, while the debt servicing capacity of many business borrowers remained severely impaired. He said this had caused a cut in CBA's assets to A$89.13bn from A$89.29bn and warned the balance sheet could contract further in the second half. "Any such decline would have a deleterious effect on profit, and may affect the level of the final dividend paid in respect of the current year's profit."

Occidental to reduce stake in Canada as part of restructuring

By Bernard Simon in Toronto

OCCIDENTAL Petroleum, of Los Angeles, is selling up to half its 48 per cent stake in its Canadian subsidiary as part of a restructuring to reduce its debt burden.

Canoxy, which is based in Calgary, filed a preliminary prospectus yesterday for its US parent to sell about 12m Canoxy common shares to a syndicate of Canadian underwriters led by RBC Dominion Securities.

The shares are being offered to the public on an instalment receipt basis at a price of C$25.75 a share. Canoxy's share price dropped by C$2.50 to C$25 on the Toronto Stock Exchange immediately after the announcement. In addition, the underwriters had an option until late yesterday afternoon to buy an additional 4m shares. Occidental's ownership will drop to 24 per cent if all 16m shares are sold.

The US company said it had no plans to sell its remaining shares in Canoxy. It will continue to have four representatives on the Canoxy board, and business arrangements with the Canadian company will not be affected, including co-operation in a project in Yemen.

Canoxy separately reported 1991 net income of C$23.1m ($19.4m), or 35 cents a share, down from C$31.6m, or 47 cents, in 1990.

● Dominion Textile, Canada's only surviving integrated textile group, is phasing out its fabrics weaving and finishing plants in eastern Ontario and Quebec because of persistent losses and the recession's drastic impact on the clothing industry, writes Robert Gibbens in Montreal.

About 600 jobs will be lost by mid-year.

The company said the fabrics shutdown was part of a broad restructuring under which activities in Canada were being reduced and emphasis was being put on expansion in the US, Europe, North Africa and south-east Asia.

SA glass group seeks R354m

By Philip Gawith in Johannesburg

PLATE Glass and Shatterprufe Industries, South Africa's largest glass manufacturer which recently became part of the South African Breweries (SAB) group, has announced it will be raising R354m ($125m) in a rights issue.

The cash will enable PGSI to increase the equity base of its offshore operations and refinance local borrowings. Some R210m will be used to recapitalise PGSI's international operations, enabling them to take advantage of growth opportunities. The balance will, in the short term, be used to reduce local borrowings.

PGSI's ordinary shareholders will be offered renounceable rights to subscribe for new ordinary shares at R43 a share, a 20 per cent discount to the market price of R54 at the time of the announcement.

The move is part of a complex web of transactions announced over the past two months between PGSI and SAB. The main transaction sees SAB acquiring 54.6 per cent of the equity of Placor, holding company for PGSI, with a proposed scheme of arrangement in Placor whereby, if successful, it will become a wholly-owned subsidiary of SAB.

The second leg of the transaction is the purchase by PGSI of UK glass group Pilkington's effective 48.4 per cent interest in Glass SA, the holding company for the main part of South Africa's float and automotive glass industry.

The other legs are PGSI's rights issue and the disposal by Afcol, an SAB subsidiary, to PGSI of its interest in P. G. Bison, a company that manufactures and distributes particleboard and decorative laminates.

The rationale for the latter deal is that P. G. Bison is a non-managed, equity accounted interest of Afcol. The sale will improve Afcol's financial structure and provide the funds for Afcol to concentrate on its core business. It also gives PGSI the opportunity to increase its holding in P. G. Bison from 47.8 to 71.7 per cent.

Manpower cuts losses to $20m

By Martin Dickson

MANPOWER, the temporary employment business which was taken over by Britain's Blue Arrow but has now redomiciled in the US, reported a fourth-quarter net loss of $20m, down from a loss of $60.2m in the corresponding period of last year.

The figures included $19.5m of goodwill amortisation and $10m of restructuring charges, compared with $20.1m and $51.5m respectively in the same period of 1990.

After-tax earnings, excluding amortisation and restructuring, came to $9.5m, down 16.2 per cent from the $11.3m of 1990. Corporate revenues were $709m, down from $766m.

For the full year, earnings excluding amortisation and special charges totalled $29.4m, down 50 per cent from 1990's $59.6m.

Mr Mitchell Fromstein, president, said the 1991 results reflected severe US and UK recession in the first half and a modest US recovery in the second half.

The company felt the worst was behind it, in that sales levels compared with the previous year had improved modestly but continuously since midsummer, and it expected the trend to continue for the first quarter of 1992.

Unigestion net income ahead 58%

UNIGESTION Holding reported a 58 per cent jump in net income to SFr18.7m ($12.50m) in 1991. The Swiss group was created by the Geneva-based finance company of the same name following its sale last May of the controlling stake in Banca della Svizzera Italiana, writes Ian Rodger in Zurich.

The directors have proposed a 52 per cent increase in the dividend to SFr5 from an adjusted SFr3.3. Unigestion Holding last August gave shareholders of the old company seven of its bearer shares for each one of the old company.

Consolidated total assets stood at SFr514m at the end of the year, of which SFr208m were invested in securities, SFr130m in cash and approximately SFr137m in loans.

No provisions were necessary last year, and shareholders' funds stood at SFr300m, or SFr126 per share.

● Consolidated sales of Bobst, the Swiss paperbox machinery maker, rose 9.1 per cent in 1991 to SFr1.1bn, due partly to the easing of the Swiss franc. The group said in a statement it also expected improved profits.

The 1991 figures are based on EC accounting standards, and eliminate Bobst Brazil from the consolidation. These changes, if applied to the 1990 figures, would cause a net reduction to consolidated sales of SFr41m.

NBD slips to Dh412.8m

NATIONAL Bank of Dubai (NBD), the largest bank in the United Arab Emirates (UAE), yesterday said 1991 net profits fell 11.5 per cent due to the drop in interest rates, AP-DJ reports from Manama.

Net profits slipped to Dh412.8m ($114.6m) from Dh466.3m in 1990. The bank said lower dollar interest rates last year pushed down dirham rates because the UAE dirham is pegged to the US currency.

Pre-tax profit fell 12 per cent to Dh411.4m from Dh468.9m. Customer deposits rose 3.7 per cent to Dh19.84bn at the end of 1991 from Dh19.13bn. Total assets rose almost 2 per cent to Dh24.63bn from Dh24.14bn.

The bank proposed cash dividends of 40 dirhams per share, unchanged from 1990.

INTERNATIONAL COMPANY NEWS IN BRIEF

National Semiconductor to expand Texas plant

NATIONAL Semiconductor is to begin immediately a $120m expansion of its semiconductor production plant in Arlington, Texas, writes Louise Kehoe in San Francisco.

The company said the decision to proceed with the expansion came after the passage of a tax abatement plan by local authorities which will offset a recent increase in Texas state taxes.

Over the past year, National has been restructuring its operations and closing some manufacturing facilities.

National said, however, the CMOS (complementary metal-oxide-silicon) technology used at Arlington was one of its core activities . "One of our corporate goals is to concentrate our manufacturing efforts in fewer sites, each of which is more effective," said Mr Scott Hendricks, the plant's managing director. "Now Arlington is at the forefront of that trend."

● Integrated Device Technology, a US chipmaker, has reached an agreement with Toshiba of Japan to expand collaboration in developing reduced instruction set computing (Risc) microprocessors designed by MIPS Computer.

IDT, Toshiba and Siemens of Germany are partners in the manufacture of the MIPS microprocessors, which can be used to power computer workstations.

MIPS is competing with Sun Microsystems, Hewlett-Packard and others to establish its microprocessors as a standard in the workstation market. IDT and Toshiba will now work together to develop derivative chips for use in applications, such as computer printers, as well as devices aimed at the personal computer and workstation markets.

● Prudential Insurance Company of America, the largest US insurer, plans to cut its workforce by up to 1,000 this year in an effort to trim costs, AP-DJ reports.

Employees are being offered early retirement and voluntary redundancy, but the insurer may have to resort to layoffs if there are insufficient volunteers.

Mr Robert Winters, chairman, has said the company needed to cut its operating costs.

Prudential Insurance had net income last year of more than $1.1bn in 1991, up from 1990's $113m.

Last month, Moody's Investors Service, the US rating agency, lowered its assessment of Prudential Insurance's claims-paying ability amid concerns over possible deterioration in the insurer's real estate and junk bond investments.

Last year, Prudential Insurance cut 2,000 jobs by offering early retirement.

Venezuelan steelmaker to invest $300m in exports

By Joe Mann in Caracas

SIVENSA, Venezuela's largest private steelmaker, is to invest $300m in a new plant to produce direct-reduced iron ore briquettes for export.

Mr Henrique Machado Zuloga, chairman, said his company's exports of iron ore briquettes were aimed at meeting rising international demand for direct-reduced iron ore in steel furnaces, where it is mixed with scrap steel.

The briquettes improve the quality of the mixture and help lower pollution levels, he said.

Sivensa is already one of the world's largest producers of hot briquetted, direct-reduced iron ore, with installed capacity of over 1m tonnes a year.

The company has turned to European and American capital markets to help finance its recent expansion.

It was the first Venezuelan company to offer its shares overseas, in the form of American depositary receipts (ADRs) sold in the US.

The company recently sold shares on the European market through global depositary shares.

INTERNATIONAL COMPANIES & CAPITAL MARKETS

Sony struggles with the rewind button

Steven Butler looks at the deterioration in the electronics company's balance sheet

Sony, the Japanese electronics company, is having trouble winning friends in the investment community these days. The company enjoys one of Japan's most famous brand names. And it probably deserves its reputation as one of Japan's most innovative companies.

Yet Sony is having trouble turning all of this into profits, and suspicions are growing that Sony may have been simply too ambitious for its own good in recent years.

Yesterday's dismal third-quarter results, with a 35.9 per cent decline in pre-tax profits – excluding extraordinary items – along with official projections that the parent company would lose Y20bn ($156.25m) at the operating level in the year to end-March, have driven this message home with startling clarity.

"The company really does look overstretched," said Mr Barry Dargan, electronics analyst at James Capel.

Mr Dargan calculated that Sony has Y1,000bn in net debt, and that if goodwill was taken out of the balance sheet, its ratio of debt to shareholders funds was 150 per cent. "Clearly they need equity financing," he concluded.

The ultimate cause of the deterioration in Sony's balance sheet was the purchase in recent years of CBS Records and Columbia Pictures Entertainment, the film studio, for more than $5bn.

Sony is now having to manage the debt it accumulated to make those acquisitions, while it copes with a recession in the US and a decline in the Japanese market that have stunted sales, fired competition and whittled away margins. Profits it has been able to generate overseas have been further pared back by the strength of the yen.

On top of this, Sony, in common with all the electronics companies, is having to cope with a lack of new, hit products of the sort that have kept the electronics industry bubbling along almost non-stop since the 1950s, when Sony started with pocket-size transistor radios.

"The consumer electronics industry is dead in the water," said Mr John Sculley, chairman of Apple Computer, during a visit to Tokyo yesterday.

Mr Sculley was commenting on why consumer electronics companies such as Sony were seeking partners in the computer industry in an effort to generate new types of products. Traditional products, he argued, had little growth left in them.

In many ways, Sony's troubles are the result of its aggressive efforts to keep the company growing in an environment that has become progressively more difficult, and it may yet succeed with a surprise hit product.

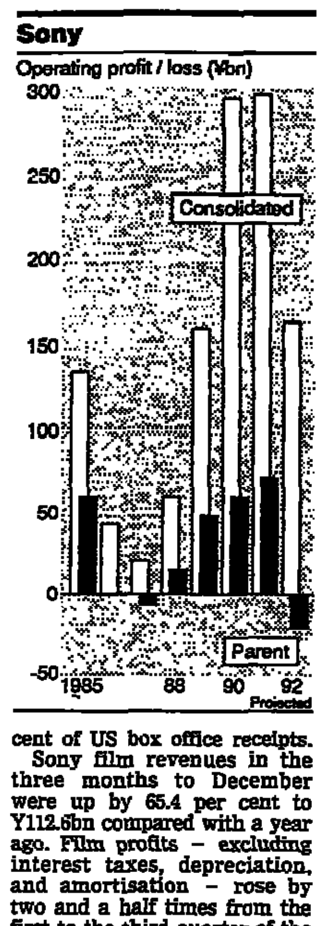
Sony began a broad restructuring in 1986 when the rise of the yen following the Plaza Accord provided a strong incentive to move operations overseas. As a result, the balance of Sony's operating profits have gone increasingly toward its subsidiaries, and away from the parent company.

While this makes good business sense, and makes the group stronger, Japanese investors tend to focus mainly on the results of the parent company, which must pay the dividend. The income-generating ability of the parent has to some extent even been eroded by the expansion of the group, since the parent shoulders a good chunk of research and development costs for the whole.

Thus the expected plunge into the red by the parent this year, following Y72bn of profits last year, may overstate the difficulties of the group, even though Sony's projection of a 45 per cent decline in consolidated operating profits to Y165bn is hardly good news.

The other important move to restructure the company was the expensive diversification into the recorded music and film industry. This was based on a recognition that reliance on electronic hardware alone may be insufficient to secure a good future for the company.

While analysts have criticised the acquisitions as being too expensive and ill-advised, Sony can at least be credited with helping to foster a turnround at Columbia Pictures, renamed Sony Pictures Entertainment. The motion picture group finished 1991 with 20 per cent of US box office receipts.



Sony film revenues in the three months to December were up by 65.4 per cent to Y112.6bn compared with a year ago. Film profits – excluding interest taxes, depreciation, and amortisation – rose by two and a half times from the first to the third quarter of the fiscal year to Y47bn.

Sony's operating profits from its entertainment business, at Y32.7bn, were only 30 per cent less than profits from electronic hardware. Sony is no longer just an electronics company.

There are also bright spots in the results. Sales in the US rose by 16.4 per cent, while sales in Europe rose by 13.7 per cent even when translated back to yen. In Germany local currency sales were up by 34 per cent.

Similarly, worldwide sales of 8mm camcorders for the fiscal year are projected to rise from 3.8m to 4.1m units, colour televisions from 6.1m to 7m units, compact disc players from 9.5m to 13m units, and even video tape recorders from 3m to 3.5m units.

While this may appear positive, none the less, Sony is not managing to make much of a profit on the sales.

And the most severe difficulty the company faces is at home, where sales declined by half a per cent during the quarter and are expected to be off much more severely in the current quarter. Sony is counting on new product launches, including its Minidisc recordable CD player, to stimulate growth.

But at the same time Sony is pulling in its horns. The company will slash capital spending by 36 per cent to Y280bn in the next fiscal year, and as the burden of depreciation costs begins to recede, the financial results should at least look healthier.

Whether Sony can re-ignite the sales growth of years past and keep profits on the rise too is another question.

Honda Motor slides to Y10bn in quarter

HONDA Motor, the Japanese car and motorcycle maker, yesterday reported a 36 per cent fall in net profits to Y10.72bn ($83.75m) for the third quarter to end-December from Y16.75bn a year earlier, AP-DJ reports from Tokyo.

Sales advanced 2.8 per cent to Y1,045bn from Y1,017bn, while pre-tax profits fell 24 per cent to Y21.94bn from Y16.75bn. Earnings per share were down 35 per cent at Y10.96 compared with Y17.01.

The directors said the rise in turnover was made mainly on the back of strong motorcycle sales in Asia and sales of new car models worldwide. However, they said pre-tax profits fell because the yen was stronger during the quarter compared with the same period a year ago, and operating expenses grew at a faster rate than sales.

For the whole year, however, the directors are maintaining their forecast, made early in January, that net income would come to Y80.10bn – a rise of 5.1 per cent over the previous year – and they see sales of Y4,528bn, up 5 per cent.

Third-quarter operating income totalled Y22.01bn, down 20 per cent from Y27.58bn. Net profits fell more sharply than both operating income and pre-tax profits because of a fall in equity income in affiliates, the directors said.

During the third quarter, motorcycle sales amounted to Y106.6bn, a gain of 0.1 per cent. Unit sales for the period totalled 802,000 vehicles, up 7.4 per cent from the year before.

Car sales rose 4.1 per cent to Y873.70bn, "owing primarily to better product mix in both Japan and North America," the directors said, although in terms of volume, car sales slipped 3.7 per cent to 467,000 units.

Revenue from other businesses fell 9.7 per cent to Y64.8bn, mainly reflecting a fall in sales of power products.

For the first nine months pre-tax profits fell 2.5 per cent to Y112.58bn, while net profits fell 13 per cent to Y53.84bn and sales rose 3.6 per cent to Y3,274bn.

Yamaha names new president

By Emiko Terazono

YAMAHA, the Japanese musical instrument maker, yesterday announced the appointment of Mr Seisuke Ueshima as its new president.

Mr Ueshima succeeds Mr Hiroshi Kawakami, who was forced to resign during a row over the company's internal restructuring programme.

Yamaha said Mr Ueshima had taken responsibility for the company's earnings slump. Yamaha posted a record pre-tax profit of Y15.9bn ($124.2m) for the year to end-March 1990. However, a slowdown in the sales of pianos, its main product, hit revenues. Piano sales peaked in 1990 at 240,000 units and have fallen sharply, hitting 170,000 units last year.

For the year ended last March, pre-tax profits slumped 10.7 per cent to Y10.8bn from the previous year. The company's attempt to diversify into new business has also shown disappointing results.

Mr Ueshima, 57, joined Yamaha in 1958.

Restructuring planned at Azabu Building

By Emiko Terazono in Tokyo

AZABU Building, a Japanese real estate company facing increasing financial difficulties, announced a restructuring plan involving sales of its property holdings and a freeze in interest payments to its creditors.

The company also appointed Mr Toshimi Shibata, a former official of Mitsui Trust and Banking, its main creditor, as president. Mr Shibata succeeds Mr Kitaro Watanabe, the stock speculator and land developer, who supplied funds to Mr T. Boone Pickens, the Texan corporate raider, in his purchase of a 26.4 per cent stake in Koito Manufacturing, which has close links with Toyota Motor.

Although Mr Watanabe will retain corporate representative position, Mr Shibata, backed by Mitsui Trust, which has extended loans totalling Y200bn ($1.56bn) to Azabu group, will take actual control.

Azabu's borrowings are estimated at Y700bn, including Y500bn at Azabu Building.

Azabu's 33 per cent stake in Koito is also a heavy burden on the company. After Mr Pickens returned Koito's shares to Azabu last year, Mr Watanabe reached an agreement to sell 54m Koito shares, or 33 per cent stake in the company, for Y120bn to Carlson Investment Management, an independent Swedish finance company. However, Carlson has since refused Azabu's offer, due to doubts over Koito's fulfilment of TSE requirements about the number of shareholders.

Azabu said it will sell Y280bn worth of property by late next year and will try to liquidate some of its real estate holdings in Tokyo and Hawaii. Azabu is in talks with its creditors, including non-bank financial institutions, over a deferral in loan repayments.

Koito said it was not considering buying back its shares from Azabu, and hoped Azabu would sell its stake in the market. Koito said the adequate price for its shares, which reached a high of Y5,470 in March 1989 due to share cornering, was around Y1,000.

BUSINESS LAW

Time for little sister to come of age

By Derek Wheatley

Why can't building societies be more like banks? The Building Societies Act 1986 was intended by parliament to liberate societies from the constraints of their past so as to allow them to compete on more equal terms with the traditional rivals for the public's custom – the high street banks.

Unfortunately, the Act left many areas of injustice, and building societies continue to be bedevilled by their past, and by the too easy assumption that their aims should retain the simplicity of those of the Friendly Societies from which they evolved.

But times change, and the larger societies are rightly anxious to offer a full service to their customers in competition, if necessary, with the financial strength of the big banks. At present, their hands are tied by the legislative fetters of the 1986 Act, repeating as it does, the outmoded constraints of the past.

For example, to be competitive, any financial institution must have ready access to funds, to take advantage of commercial opportunities as they arise.

A bank can obtain funds in large quantities and at short notice at commercial rates. Not so a building society, which must not raise more than 40 per cent of funds in the wholesale market or hold more than 17.5 per cent of commercial assets except for first mortgages over wholly-owned residential property.

This is all because originally the only object a society might legitimately have was to raise funds from the deposits and subscriptions of its members and use them so that they could buy residential properties for their own use on mortgage to the society.

How different and diverse are the objectives of building societies now – or rather, how different are the financial services they would like to be able to offer their members were it not for the restrictions imposed by the 1986 Act. This is already outdated and it was always too restrictive. Societies in the 1990s face competition from banks in their traditional home loan market, and are unable to respond effectively with new ventures of their own.

The unfair disparity between what a bank can do and what a society can do was highlighted soon after the Act came into force. The Abbey National, one of the largest societies, thought its best course to achieve a level playing field was to become a bank itself.

Banks are public limited companies governed by companies legislation and can do what they please, since the objects clause of their Memoranda of Association are extremely wide.

The 1986 Act, however, says only what building societies may do rather than what they may not do. Any activity not specifically permitted is automatically forbidden. This includes all new ventures and activities not thought of in 1986.

At the time Abbey National converted to a plc it listed several areas in which previously it could not compete with banks. These included the raising of funds otherwise than by the deposits and subscriptions of members already mentioned.

There were also such restrictions as the prohibition against lending more than £10,000 to any one individual unless secured; the baffling restriction against owning more than 15 per cent of a general insurance company; the inability to operate outside the European Community and then only through a subsidiary company; the inability to develop land except primarily for residential use; the inability to use some instruments available to banks for liquidity management.

The results have not all been bad. No building society was able to invest imprudently in the American banking world because no building society could invest in America at all. But the restrictions prevent any opportunity for profit to be made outside the EC.

Even in the UK, a bizarre result of the Act is that it is uncertain whether any society can take part in a syndicated loan designed to spread the risk of lending. A thriving market in the purchase by housing associations of entire stocks of local authority housing has developed comparatively recently. Sums between £30m and £100m are usually involved but there is a prospect of two deals of £200m or more occurring within the next year.

Not many banks standing alone would wish to commit themselves to figures such as these; the situation cries out for syndication. But building societies, the traditional lenders for house purchase, are inhibited from taking part because this market was not in existence in 1986 and syndicated loans were not mentioned in the Act. Some believe this fact prevents any building society from participating.

There is an urgent need for change by way of amending legislation. The essential nature of a building society could be preserved by a requirement that its members could only be investors and mortgage borrowers and that one of its principal purposes should be to make advances to them to buy houses.

Societies could be required to have perhaps 25 per cent of their liabilities in respect of share deposits and loans represented by members shares. Subject to this, any society should be entitled to do anything set out in its memorandum, to be approved by the regulatory body.

Societies would still pursue their original purpose of lending to their members but they should be able to raise funds with far less restraint than today. They should be able to engage in a greater range of financial activities.

There must have been members of the Abbey National who were dismayed to find their rights in their own society transferred into a right to acquire shares in a public limited company supervised, not by the Building Society Commission, but by the Bank of England. How much simpler it would have been to remove the restrictions which caused the Abbey National to make the big change in the first place.

Freedom to operate should no longer be confined to banks and there should be no need for societies to convert to limited company status to provide full financial services. All of this seems clear. A greater difficulty would lie in the choice of a regulatory body. The Building Society Commission, set up in 1986, has few friends among societies, which believe it has been restrictive and unhelpful. It has no experience of banking, but this could be remedied by the recruitment of those in the clearing banks and at the Bank of England who have.

The only alternative is that all societies which seize the new opportunities created by an amending Act to provide banking services should be regulated by the Bank of England.

But the Bank knows little of building societies. Its record as a regulator is badly flawed. Its recent history is strewn with avoidable disasters in spotting trouble that stretch from the failure of Johnson Matthey bank in 1985 to the collapse of the Bank of Credit and Commerce International last year. To take on new responsibilities in an unknown field would be to invite further disasters.

It seems better that the Building Society Commission under its new chairman, Ms Rosalind Gilmore, should be given a chance to cast aside the restrictive characteristics of its past and to meet the challenges of an expanded role.

The main purpose of a regulator is early detection and prevention of failure and fraud. In contrast to the Bank of England, the Commission's record in this respect is good. As Ms Gilmore said at the Building Society Association conference in Glasgow last summer: "Our duty is to promote the protection by each building society of the investments of its shareholders and depositors."

Whenever a society has shown signs of difficulty, the Commission has acted with commendable speed. Larger societies have been asked to assist and the result has often been a merger of the weaker with the stronger building society. The Commission has enforced its liquidity and capital adequacy requirements well.

It would be a pity to remove from its regulatory control the larger and more adventurous societies which would be likely to seize the new opportunities made available to them.

But most societies feel there would be a need for a sea change in the attitude of the Commission. If there is to be a change in the statutory restrictions, the attitude of the Commission must also change so as to give effect to the new liberality and flexibility of the industry it would regulate.

The author is banking consultant with City solicitors Watson Farley Williams.

Treasuries given boost by January inflation data

By Karen Zagor in New York and Sara Webb in London

US TREASURY prices changed direction yesterday morning, recovering most of their previous day's losses as investors took heart from the consumer price index for January.

At midday, the Treasury's bellwether 30-year bond was $\frac{11}{32}$ higher at 100¾, yielding 7.92 per cent after tumbling about $\frac{11}{32}$ on Tuesday. Gains were less pronounced at the short end of the yield curve, with the two-year note unchanged at 99¾, yielding 5.23 per cent.

The Federal Reserve entered the open market to arrange overnight system repurchase agreements when Fed funds were trading at 5¼ per cent, above the Fed's perceived target for the rate of 4 per cent.

The Fed's action, which adds liquidity to the banking system, was widely expected and did not signal a change in monetary policy.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	99.4507	+0.129	10.00	10.07	9.90
BELGIUM		9.000	06/01	101.3500	-0.300	8.77	8.66	8.86
CANADA *		8.500	04/02	99.8000	-0.150	8.51	8.34	8.10
DENMARK		9.000	11/00	102.2000	-0.170	8.62	8.53	8.50
FRANCE	BTAN	8.500	03/97	98.8800	-0.038	8.77	8.72	8.82
	OAT	8.500	11/02	100.1100	-0.080	8.47	8.45	8.30
GERMANY		8.000	01/02	100.4400	-0.100	7.93	7.92	7.80
ITALY		12.000	02/02	98.2800	+0.010	12.31	12.27	0.00
JAPAN	No 119	4.800	06/99	96.0244	-0.218	5.76	5.86	6.04
	No 129	6.400	03/00	105.5685	-0.120	5.41	5.51	5.31
NETHERLANDS		8.250	02/02	99.5400	-0.150	8.32	8.27	8.23
SPAIN		11.300	01/02	102.9500	-	10.79	10.80	10.85
UK GILTS		10.000	11/96	102-04	-3/32	9.43	9.41	9.61
		9.750	08/02	102-27	-3/32	9.32	9.30	9.44
		9.000	10/08	98-27	-5/32	9.13	9.12	9.16
US TREASURY *		7.500	11/01	100.5938	+12/32	7.41	7.28	7.06
		8.000	11/21	100.7500	+16/32	7.93	7.82	7.80

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

GOVERNMENT BONDS

An encouraging CPI report for January provided the impetus for yesterday morning's rally. The index rose only 0.1 per cent, below the 0.3 per cent increase the market had expected. The core rate, excluding food and energy, was 0.3 per cent higher.

Longer-dated maturities were also helped by rumours that the Fed was buying bonds for its own account.

■ GERMAN government bond prices slipped back following Tuesday's weakness in the US Treasury bond market and ahead of the German M3 money supply figures for January which are due this week.

Traders said there had been no sign of any significant change in the Bundesbank's monetary policy at yesterday's securities tender. The Bundesbank accepted bids for DM41bn at a two-tranche securities tender, allocating DM30.7bn of 28-day funds mostly at 9.40 per cent and DM10.3bn of 56-day funds mostly at 9.45 per cent. That represented a net addition of DM700m in liquidity.

The Liffe bund futures contract opened at 87.75 and traded down to 87.72 yesterday afternoon after moving in a narrow range of 87.64 to 87.80.

■ JAPANESE government bonds ended a touch lower due to the yen's weakness and Tuesday's fall in the US Treasury bond market.

The yen traded at between 128.0 and 128.4 to the US dollar but traders said there was no sign of central bank intervention. The futures contract had fallen back from its opening level of 102.11 to close at 102.01 where it remained well supported, traders said.

The yield on the benchmark No 129 JGB opened at 5.40 per cent, traded in a narrow range of 5.385 to 5.41 per cent and closed at 5.41 per cent.

■ UK government bonds opened on a weak note and ended little changed on the day in light trading.

The Liffe gilt futures contract slipped from its opening of 97.23 to 97.19 before moving back to 97.24 by late afternoon. The benchmark 11¾ per cent gilt due 2003/07 opened at 116¾ and fell to 116$\frac{21}{32}$.

Traders said the 0.4 per cent rise in January UK retail sales announced yesterday had been seen as an encouraging sign.

Treuhand to expand paper issue

By Leslie Colitt in Berlin

GERMANY'S Treuhand privatisation agency plans to double the successful commercial paper programme it began last year.

The expansion by DM5bn to DM10bn of the short-maturity paper, which has a low federal government risk, takes place against the background of DM30bn in new debt issued this year by the Treuhand. The agency predicted a very positive market response to the new issue.

Last year's initial Treuhand issue in the newly launched German commercial paper market was well accepted by both German and foreign institutional investors.

The agency said commercial paper was a particularly flexible and cost-effective form of borrowing as interest rates were on average 0.20 per cent (20 basis points) lower than money market loans. This added up to a saving of DM8m on a DM4bn issue.

The number of banks offering the paper has been extended to 11 from seven. Dresdener Bank is arranging the issue, with Deutsche Bank as co-arranger.

The Treuhand is unable to engage in medium-term borrowing until a new law is passed regulating the listing of its securities for trading on the German stock exchanges. The law is expected to be enacted in July.

The agency also announced that privatisation would be completed this year in the east German food-processing industry, the first important sector of the economy to achieve this goal.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on February 19

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105¾	106¼	+⅛	6.42
ALBERTA PROVINCE 9 3/8 95	600	108	108⅜	-⅛	6.83
AUSTRIA 8 1/2 00	400	104⅞	105¼	-⅛	7.65
BANK OF TOKYO 8 3/8 96	100	104⅛	104⅝	+½	7.17
BELGIUM 9 5/8 98	250	109⅝	110⅛	-⅛	7.65
BFCE 7 3/4 97	150	102¼	102¾	+⅛	7.17
BNP 8 5/8 94	300	105¾	106¼	-⅛	6.01
BRITISH GAS 8 3/8 99	350	103¾	104¼	-⅛	7.69
CANADA 9 96	1000	107⅝	108	-⅛	6.77
CARCO 9 1/4 96	650	102⅝	103⅛	-½	8.56
CCCE 9 1/4 95	300	107¼	108¼	-⅛	6.36
COUNCIL EUROPE 8 96	100	103½	104	-⅛	7.04
CREDIT FONCIER 9 1/2 99	300	110¼	110⅝	-⅛	7.56
DENMARK 8 1/4 94	150	104¾	105¼	-⅛	6.11
DENMARK 9 1/4 95	1571	107⅞	108¼	-⅛	6.40
ECSC 8 1/4 96	193	104⅝	105¼		7.07
EEC 8 1/4 96	100	104⅜	104⅞	-⅛	7.03
EIB 7 3/4 96	250	102⅞	103⅜	-⅛	6.95
EIB 9 1/4 97	1000	108⅞	109¼	-⅛	7.31
ELEC DE FRANCE 9 98	200	107¼	107½		7.49
EURO CRED CARD TST 9 94	325	103⅝	104⅛	-⅛	7.41
EUROFIMA 9 1/4 96	100	107¼	107¾	-⅛	7.13
EXPORT DEV CORP 9 1/2 98	150	109⅜	109⅞	-⅛	7.58
FINLAND 7 7/8 97	200	101⅞	102½	-⅛	7.41
FINNISH EXPORT 9 3/8 95	200	107¾	108⅛		6.90
FORD CAPITAL 9 3/4 97	250	106	106½	+⅛	8.28
GEN ELEC CAPITAL 9 3/8 96	380	107⅞	108⅜	+⅛	7.16
GMAC 9 1/8 96	200	104½	105	+⅛	7.79
GUINNESS FINANCE 8 94	200	103¾	104¼		6.24
IBM INTL FIN 7 3/4 94	200	104	104⅜	+⅛	5.72
IND BK JAPAN FIN 7 7/8 97	200	102⅛	102⅝	+⅛	7.36
INTER AMER DEV 7 5/8 96	200	102¼	102¾	-⅛	7.01
ITALY 8 1/2 94	1500	106⅛	106⅜	-⅛	5.94
JAPAN DEV BK 8 94	150	104¼	104⅝		5.91
KANSAI ELEC PWR 10 96	350	109⅞	110¼	-⅛	7.17
LTCB FIN 8 97	200	101⅜	101⅞		7.65
NEW ZEALAND 9 94	850	106	106⅜	-⅛	6.33
NIPPON CRED BK 10 3/8 95	150	109½	110⅛	+⅛	7.09
NIPPON TEL & TEL 9 3/8 95	200	107⅝	108⅛	-⅛	6.52
ONTARIO 8 1/2 01	600	101⅞	102¼	-⅛	8.22
ONTARIO HYDRO 11 5/8 94	200	110⅜	110⅞	+⅛	5.89
OSTER KONTROLLBANK 8 1/2 01	200	104¼	104¾	-⅛	7.82
PETRO-CANADA 7 1/4 96	200	100⅞	101⅜	+⅛	6.99
QUEBEC HYDRO 9 3/4 98	150	109⅜	109⅞	+⅛	7.91
QUEBEC PROV 9 98	200	105½	106	+⅛	7.83
SAINSBURY 9 1/8 96	150	105⅞	106⅜	+⅛	7.55
SAS 10 99	200	105⅝	106⅛	-⅛	8.89
SBAB 9 1/2 95	500	107⅞	108¼	-⅛	6.72
SNCF 9 1/2 98	150	109¼	109¾	-⅛	7.61
STATE BK NSW 8 1/2 96	200	103¾	104⅛	-⅛	7.58
SWEDISH EXPORT 8 3/8 96	700	104¾	105¼	-⅛	9.46
TOKYO ELEC POWER 8 3/4 96	300	105¾	106¼		7.19
TOKYO METROPOLIS 8 1/4 96	200	104¼	104⅝	-⅛	7.14
WORLD BANK 8 3/8 99	1500	105⅜	105⅝	-⅛	7.57
WORLD BANK 8 3/4 97	1500	107½	107¾	-⅛	7.08
XEROX CORPN 8 3/8 96	100	102¼	103⅛	+⅛	7.79

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN AMRO 8 1/2 96	500	101⅛	101½	+⅛	8.12
AUSTRIA 6 3/4 99	750	94⅝	95	-⅛	7.75
BNP 8 1/4 01	200	102	102½	-⅛	7.94
DEUTSCHE FINANCE 7 1/2 95	1000	98⅞	98⅞	-⅛	7.94
EIB 5 3/4 98	400	90¼	90¾		7.81
EIB 6 1/4 99	600	92	92½		7.78
EUROFIMA 8 3/4 96	400	102½	103	-⅛	8.06
FIRST INTERSTATE 5 3/4 96	100	87	87		9.63
FORD MOTOR CREDIT 9 1/4 94	300	100¼	100½		9.10
IND BK JAPAN FIN 5 5/8 96	200	91¼	91¾		8.17
INTER AMER DEV 9 00	300	107⅛	107⅝	-⅛	7.85
IRELAND 6 1/2 99	300	92	92½	+⅛	8.03
LUFTHANSA INT FIN 5 7/8 98	500	89⅜	89⅞		8.12
NAT BK HUNGARY 10 3/4 98	500	100	100¼		10.73
SWEDEN 6 1/8 98	300	92¼	92¾	-⅛	7.66
TURKEY 10 3/4 96	500	100⅞	100⅝		10.61
WORLD BANK 0 15	2000	20⅞	21¼	+⅛	6.79
WORLD BANK 5 3/4 96	300	92⅞	93⅜		7.90
WORLD BANK 8 3/4 00	1250	105⅛	105¼	-⅛	7.83

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	91¾	92½	-⅛	6.79
AUSTRIA 4 5/8 98	100	91	91¾		6.49
CHUBU ELEC POWER 6 3/4 01	300	100¼	100¾	+⅛	6.71
COUNCIL EUROPE 4 3/4 98	250	91¼	91½	-⅛	6.56
EEC 5 1/2 00	100	91½	92½	-⅛	6.81
EIB 6 1/2 98	600	100¾	101	+⅛	6.32
ELEC DE FRANCE 7 1/4 06	100	104		-½	6.79
FINLAND 5 3/8 95	150	95½	96¼		6.78
GENERAL MOTORS 7 1/2 95	100	101	102	-1	7.12
JAPAN DEV BK 5 1/2 94	100	97	97½	-⅛	7.18
KOBE 6 3/8 01	240	98¾	99¼	-⅛	6.55
NEW ZEALAND 4 7/8 99	200	90¾	90¾	+⅛	6.67
QUEBEC HYDRO 5 08	100	78½	79	-⅛	7.31
WORLD BANK 5 03	150	86½	87		6.72
WORLD BANK 7 01	600	103⅜	103⅝	-⅛	6.49

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	99⅛	99⅜		5.24
CREDIT FONCIER 5 1/4 94	20000	99¼	99¾	-⅛	5.54
DENMARK 7 95	40000	104⅜	104⅝	-⅛	5.35
EIB 4 5/8 94	40000	99⅜	99⅝		4.92
ELEC DE FRANCE 5 5/8 96	20000	100¼	100¾	-⅛	5.55
FINLAND 6 3/4 96	50000	103½	103¾	-⅛	5.76
INTER AMER DEV 7 1/4 00	30000	109⅜	109⅝	-⅛	5.78
KANSAI ELEC PWR 4 5/8 94	60000	98⅛	98⅜	-⅛	5.56
NIPPON TEL & TEL 5 7/8 96	50000	101⅜	101⅞	-⅛	5.46
NORWAY 5 1/8 95	50000	99½	99¾		5.30
SNCF 6 3/4 00	30000	106¾	107	-⅛	5.68
SWEDEN 5 5/8 95	20000	100⅝	101⅛		5.42
WORLD BANK 6 3/4 00	50000	107¼	107⅝	-⅛	5.63

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.87
COPENHAGEN TEL 8 5/8 96 LFr	600	98¼	99¼		9.21
WORLD BANK 8 96 LFr	1000	96½	97½		9.03
ENERGIE BEHEER 8 3/4 98 Fl	500	102½	102⅞		8.24
UNILEVER 9 00 Fl	500	105	105½		8.14
ALBERTA PROVINCE 10 5/8 96 C$	500	105¼	105⅝	-⅛	9.05
BELL CANADA 10 5/8 99 C$	150	106⅜	106⅞	+⅛	9.37
BRITISH COLUMBIA 10 96 C$	500	103⅜	103⅞	-⅛	9.06
EIB 10 1/8 98 C$	130	104½	105¼	-⅛	9.12
ELEC DE FRANCE 9 3/4 99 C$	275	103⅛	103⅝	-⅛	9.14
FORD CREDIT CANADA 10 94 C$	100	101¼	101¾	+⅛	9.42
GEN ELEC CAPITAL 10 96 C$	300	103⅜	103⅞	-⅛	9.06
KFW INT FIN 10 01 C$	400	104	104½	-⅛	9.32
NIPPON TEL & TEL 10 1/4 94 C$	200	105⅛	105⅝		9.25
ONTARIO HYDRO 10 7/8 99 C$	500	106½	107	-⅛	9.52
OSTER KONTROLLBANK 10 1/4 99 C$	150	105⅜	105⅞	-⅛	9.20
QUEBEC PROV 10 1/2 98 C$	200	104¾	105¼		9.50
BELGIUM 9 1/8 96 Ecu	1250	101⅜	101⅞	-⅛	8.59
CREDIT LYONNAIS 9 96 Ecu	125	99¼	100	+½	9.20
DENMARK 7 5/8 96 Ecu	250	94½	95½	+1⅛	9.26
EEC 7 5/8 94 Ecu	200	97¾	97¾		9.10
EIB 10 97 Ecu	1125	106⅛	106⅝	-⅛	8.38
FERRO DEL STAT 10 1/8 98 Ecu	500	106	106½	-⅛	8.77
ITALY 10 3/4 00 Ecu	1000	111⅝	111⅞	-⅛	8.69
UNITED KINGDOM 9 1/8 01 Ecu	2750	104⅛	104⅝		8.45
BP AMERICA 12 1/4 96 A$	100	106½	107		10.20
COMM BK AUSTRALIA 13 3/4 99 A$	100	114¼	114¾	+⅛	10.86
EKSPORTFINANS 12 3/8 95 A$	75	108¾	109¼	+⅛	9.13
EUROFIMA 14 5/8 94 A$	75	111	111½	-⅛	8.90
MCDONALDS CANADA 15 95 A$	100	113	113½		10.18
NAT AUSTRALIA BANK 14 3/4 94 A$	150	109⅝	110⅛		9.23
STATE BK NSW 14 1/4 99 A$	100	115⅝	116	+⅛	11.07
UNILEVER AUSTRALIA 12 98 A$	150	107¼	107¾		10.36
VOLKSWAGEN INTL 15 94 A$	100	110⅞	111¼	+⅛	9.32
ABBEY NATL TREAS 13 3/8 95 £	100	108	108½		10.16
ALLIANCE & LEICS 11 3/8 97 £	100	103	103½	-⅛	10.57
BRITISH GAS 12 3/4 95 £	300	107	107½		9.92
BRITISH LAND 12 1/2 16 £	150	107	107½	-⅛	11.96
DEUTSCHE BK FIN 11 94 £	225	102⅛	102½		9.71
EIB 10 97 £	536.5	101⅝	102	+⅛	9.57
FINLAND 10 1/8 97 £	100	101⅜	101⅞		9.76
ITALY 10 1/2 14 £	400	103⅞	104⅛	-⅛	10.05
LAND SECS 9 1/2 07 £	200	89	89½	-⅛	11.01
NORWAY 10 1/2 94 £	200	101⅛	101⅝		9.70
ONTARIO 11 1/8 01 £	100	105⅛	105⅝		10.18
SEVERN TRENT 11 1/2 99 £	150	104⅜	104⅞		10.59
SKANDINAVISKA ENSK 13 1/8 95 £	100	106⅞	107⅛	+⅛	10.45
TOKYO ELEC POWER 11 01 £	150	106	106½		9.96
WORLD BANK 11 1/4 95 £	100	103⅞	104⅛		9.81
ABBEY NATIONAL 0 96 NZ$	100	65½	66½		9.58
BNP 12 96 NZ$	50	108½	109½	-⅛	9.42
CEPME 10 95 FFr	2000	102⅜	102⅞	-⅛	9.07
ELF-AQUITAINE 9 99 FFr	600	101¼	101¾		8.77
EURATOM 7 5/8 98 FFr	500	93¾	94¾	+1⅛	8.91

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.53	99.63	10.7675
BANCO ROMA 0.05 01	200	92.00	93.25	4.4050
BELGIUM 1/16 97 DM	500	99.97	100.07	9.5000
BFCE -0.02 96	350	100.27	100.37	4.9175
BNP 05	300	96.88	97.50	5.5625
BRITANNIA 1/10 96 £	150	99.00	99.22	10.7875
CCCE 96 ECU	200	99.91	100.01	10.1563
CITIZENS FED 0.15 96	100	99.38	99.88	5.9625
CREDIT FONCIER -1/16 98	200	100.18	100.28	5.3438
DENMARK -1/8 96	1000	99.73	99.83	5.6875
DRESDNER FINANCE 1/32 98 DM	1000	99.95	100.04	9.5938
ELEC DE FRANCE 1/8 99	400	101.63	102.25	6.0625
FERRO DEL STAT 94	200	100.93	101.28	5.9375
HALIFAX 1/10 94 £	200	99.91	100.03	10.5375
IRELAND 98	300	99.62	99.72	4.4600
ITALY 00	500	100.95	101.13	4.5000
LEEDS PERMANENT 1/8 96 £	200	99.30	99.52	11.0000
LLOYDS BANK 1/10 PERP S.3	600	79.00	81.00	6.0375
MITSUI FIN ASIA 1/8 96	100	99.98	100.08	5.9375
NAT WEST FIN 3/16 05	400	93.00	94.13	5.5000
NEW ZEALAND 1/8 96	250	100.29	100.39	4.8130
RENFE 98	500	100.09	100.19	5.0000
SOCIETE GENERALE 96	300	99.88	99.98	5.6250
STATE BK VICTORIA 0.05 99	125	98.55	98.80	4.3625
UNITED KINGDOM -1/8 96	4000	100.03	100.06	4.2500
YORKSHIRE BS 1/10 94 £	165	99.56	99.66	10.5375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	128¾	130	
CHUBB CAPITAL 6 98	250	86	103¾	104¼	+31.79
EASTMAN KODAK 6 3/8 01	300	50.67	103¼	104¼	+13.97
GOLD KALGOORLIE 7 1/2 00	65	1.0554	85¼	86¼	+41.02
HANSON 9 1/2 06 £	500	2.5875	100⅞	101	+23.38
HAWLEY 6 02 PREF	400	19.1	84	86¼	
HILLSDOWN 4 1/2 02 £	150	3.97	117⅛	118	
LAND SECS 6 3/4 02 £	84	6.72	84¼	85¼	+23.35
LASMO 7 3/4 05 £	90	5.64	75¾	76¾	
MITSUI BANK 2 5/8 03	200	2337½	72⅞	74¼	+22.00
MOUNT ISA FIN 6 1/2 97	100	2.283	96½	97½	+13.98
OGDEN 6 02	85	39.077	82	83	+49.04
SMITH & NEPHEW 4 02 £	90	1.775	121¼	122¾	+42.97
SUMITOMO BANK 3 1/8 04	300	3606.9	61¼	62¼	+33.32
TEXAS INSTRUMENTS 2 3/4 02	300	82¾	90¼	91¼	
THORN EMI 5 3/4 04 £	103	7.45	120	121	+10.14

* No information available – previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Underwriters set sights on Spain's 10-year issue

By Simon London

NEW ISSUE activity remained light in the international bond market yesterday, with underwriting firms pre-occupied with the launch of Spain's Y125bn 10-year issue, expected to be launched this morning.

Nomura International emerged as the winner of a bidding contest for the new issue mandate and said that deal would be priced following consultation with other firms this morning.

However, syndicate managers were yesterday divided on the correct yield level for the issue. Some firms commented that the bonds should be priced to yield the same as Belgium's Y50bn 10-year issue – 5.81 per cent in the secondary market yesterday.

Others said that Spain's slightly lower credit quality, and the sheer size of the deal, meant that a yield up to 8 basis points more than the Belgian bonds was required for the deal to be a success.

Elsewhere, the Victorian Public Financing Agency, which carries the guarantee of the Australian state of Victoria, launched a $300m 10-year deal lead managed by Morgan Stanley International.

The 8¼ per cent bonds were priced to yield 76 basis points more the US Treasury bonds, considered fair by participants in the deal although the issue was said to have generated little enthusiasm among investors.

INTERNATIONAL BONDS

Syndicate officials said that only bonds issued by top-rated sovereign and supranational borrowers would sell quickly under current market conditions. The lead managers held the deal at the fixed re-offer price of 99.25 throughout the day.

Nacional Financiera, the Mexican state-backed finance agency, launched a Ecu100m five-year deal. This is the longest maturity Ecu bond issue by a Latin American borrower and underlines the extent to which developing country borrowers are gaining access to new currency sectors.

In this case, however, the proceeds of the issue were swapped to provide dollar funding at a rate comparable to that available by issuing directly in the Eurodollar market.

Lead managed by Swiss Bank Corporation, the bonds pay a coupon of 10¼ per cent and were re-offered to investors at a fixed price of 99.875, where the yield is 10.284 per cent.

Osterreichische Kontrollbank (OKB), the Austrian state-backed financial institution, launched a L500bn zero-coupon issue. The bonds were re-offered to investors at a fixed price of L34.90, where the yield is 11.10 per cent.

Participants reported buying from institutional investors keen to lock into the high yields offered by lire bonds but with a minimal cash outlay.

The deal was the first zero coupon issue in the sector and underlined the growing international interest in Euro-lire bonds. Earlier this week Compagnie Bancaire raised L150bn and Crediop L500bn. Last week Deutsche Bank raised L200bn.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Victorian Public Fin.(a)†	300	8¼	99¼	2002	40/20bp	Morgan Stanley Int.
ECUs						
Nacional Financiera(a)†	100	10¼	100¾	1997	1⅞/1⅜	SBC
EIB(a)★★† ..	100	8.8	100	1994	-	Banco di Roma
Credit Foncier de France(b)†	1bn	8¾	100.35	2004	2/1.85	Paribas Capital Mkts.
FRENCH FRANCS						
Credit National(c)†	*600*	*8.4*	*99.70*	*2003*	*35bp*	*Societe Generale*
AUSTRALIAN DOLLARS						
State Bk of Sth.Australia(d)†	100	11	101.85	2002	2⅛/1⅜	Hambros Bank
LIRE						
Osterreichische K'bank(a)†	*500bn*	*zero*	*35.85*	*2002*	*1¼/1.15*	*Paribas Capital Mkts.*
SWISS FRANCS						
Asia Motors(e)★★§	70	4	100	1996	-	SBC

★★Private placement. §Convertible. ‡With equity warrants. #Floating rate note. †Final terms. a) Non-callable. b) Amount increased from Ecu750. Non-callable. c) Investors have option to reinvest coupon payments in further bonds at 100%, thus potentially increasing issue size each year. Non-callable. d) Fungible with existing A$100m deal. Non-callable. e) Put option 30/6/94 at 111⅜% to yield 8.62%.

Venezuelan deals go ahead after coup delay

By Tracy Corrigan

THE PRICING of two Venezuelan deals launched before the failed coup earlier this month went ahead last week, after being postponed.

Dealers said the market had now stabilised, though recovery so far had been slight and sentiment remained nervous. The pricing indicates that, despite a 20 per cent fall in the local stock market in the wake of the coup, the market for new issues remains open.

A $110m global offering of shares for Sivensa (Siderurgica Venezolana), a large manufacturing company, was due to be priced two days after the coup attempt, on February 5. The shares were finally priced earlier this week at $9.50 per unit. The deal has been fully placed, according to adviser Samuel Montagu.

An offering of 5m global depositary receipts in Venepal, a paper and pulp company, was being promoted at a US roadshow on the day of the coup. The price was set on Tuesday, after a short delay, at $10½, and the paper has been sold out, according to co-ordinator Lehman Brothers.

● The Mexico Fund, a closed-end investment company listed on the New York and London stock exchanges, announced a rights issue entitling shareholders to acquire one new share for every three they currently hold.

This will allow the issue of up to 6.57m new shares at a slight discount to the market price, which yesterday was $26¾, suggesting the offer will raise roughly $180m.

Latin America's new-found allure

Stephen Fidler on the recent rush of private capital to the region

Flows of private capital into Latin America tripled last year to more than $40bn, eight times the 1989 level, according to research published this week by Salomon Brothers, the US investment bank.

The research, which concentrates on five countries – Argentina, Brazil, Chile, Mexico and Venezuela – indicates that the types of inflows have become more diversified among bonds, equities, country funds and direct foreign investment. The 1991 inflows included a substantial repatriation of flight capital, funds previously placed abroad by Latin American residents.

The 1991 inflow generated nearly three times the funds necessary to finance the deficits on the countries' trade in goods and services, and helped to boost foreign exchange reserves by $15bn.

Salomon's emerging markets group calculated that bond issues, private placement, commercial paper and certificates of deposit together accounted for $11.7bn of the total, and direct foreign investment accounted for $13.9bn. American Depositary Receipts – bundles of shares packaged to suit US investors – and country funds together accounted for $6.4bn.

Investment flows were encouraged by lower interest rates and the recession in the US and Europe which contrasted with high growth rates and relatively high domestic interest rates in Latin America.

"More importantly, Latin American economies are becoming more productive and internationally competitive. The overall economic outlook and investment opportunities in the region have improved with declining inflation levels, positive GDP growth rates, reduced fiscal deficits, privatisation of state owned enterprises and movement away from protected markets," it said.

New trade policies, including negotiations between the US, Mexico and Canada over a free trade agreement, were also significant.

It described as surprising the ability of countries such as Argentina and Brazil to raise capital in the international bond markets while remaining in substantial arrears on their debt to commercial banks. Capital flows to Argentina were 10 times higher in 1991 at $5.1bn, than in 1990, while inflows to Brazil were 20 times greater at $11.6bn.

Inflows to Mexico nearly doubled to $16.1bn. In the case of Venezuela, they increased from $1.8bn to $4.8bn. Inflows to Chile fell to $1.7bn from $2.0bn, due mainly to the end of the country's debt for equity conversion programme.

The research identifies a number of "noteworthy" trends:

● A large proportion of the capital flowing into Latin America was short-term and attracted mainly by local interest rates significantly higher than in the US.

● All countries but Brazil registered solid growth rates in 1991, while growth for all countries save Brazil is projected to exceed 5 per cent this year. Average growth in gross domestic product (GDP) across the region translated into per-capita growth of 0.9 per cent, reversing a eight-year trend of declining GDP per capita. Inflation also dropped sharply.

● Privatisation initiatives have gained momentum, attracting debt, foreign investment and a reduction in domestic, and to a smaller extent, commercial bank debt.

Brazil has raised $1.6bn after its programme finally began last October, and hopes to raise $18bn over three years. In Argentina, all the main industries will be outside state control by the end of this year.

Mexico raised $7.2bn in 1991 from the privatisation of nine banks alone; a further nine are due for privatisation in the first half of this year. Venezuela raised $1.9bn from the sale of a 40 per cent stake in its state telephone company late last year.

● Non-bank institutional investors became significant investors in the region in 1991, while the volume of repatriated flight capital rose considerably.

With an estimated $200bn of flight capital leaving Latin America over the past two decades, some observers think that more than half of the capital now entering Latin America is from Latin American investors. Mexico estimated returning flight capital at close to $5.5bn in 1991. Regional investment funds now total some $800m. Direct foreign investment in Mexico amounted to more than $5bn, in Brazil to $1.3bn and in Chile to more than $1bn.

● Four of the top performing markets in 1991 were in Argentina, Mexico, Chile and Brazil. Market capitalisation of these countries has climbed dramatically: Mexico's grew from $33bn at the end of 1990 to $83bn at end-October 1991.

● Although most capital was short-term in nature, some countries, in particular Mexico and Chile, began to attract longer-term capital.

The resurgence of economic growth and the prospects for numerous free trade agreements with the US have led to a number of joint ventures between Latin American and US and European companies. Some multinationals are directly acquiring stakes in Latin American companies – such as the $320m purchase by PepsiCo of 70 per cent of Empresas Gamesa.

"As in western Europe we expect the formation of strategic alliances to be an increasingly important element of capital flows to the region during the 1990s," the report concludes.

CAPITAL FLOWS TO LATIN AMERICA 1989-1991 (US$m)

	1989	1990	% of GDP	1991	% of GDP
Argentina	1,400.5	521.5	0.8	5,100.0	7.6
Brazil	150.0	406.3	0.1	11,626.0	2.7
Chile	1,149.9	2,045.4	7.4	1,669.0	5.8
Mexico	702.3	8,395.2	3.6	16,072.8	5.9
Venezuela	1,020.2	1,842.6	3.7	4,797.0	10.0
Regional	577.2	175.0		829.0	
Total	5,000.4	13,386.0		40,093.8	
% rise year-on-year		167.7		199.5	

Source: Salomon Brothers

Moody's says default rate on commercial paper may be easing

THE PACE of commercial paper defaults, which rocketed in 1989, appears to be tailing off, according to a special report by Moody's published yesterday, writes Tracy Corrigan.

Since January 1989, 14 issuers have defaulted on a total of $1.4bn of commercial paper in public markets.

The rate of European commercial paper defaults outstrips the default rate in the US market. According to Moody's, some 46 per cent of commercial paper losses over the past three years were in the Euro-CP market and other developing sectors such as the sterling CP market.

The remainder was concentrated in the $500bn US CP market, which overshadows the much-increased $80bn Euro-CP market.

According to the report, the default rate has been proportionately lower in the US because the more mature US market has developed an "orderly exit" process, whereby the market rations the quantity of paper issued by declining credits. "Buyers simply refuse to hold risky paper at any price," Moody's reports.

Defaults have been more common in less-developed markets, but Moody's expects that "over the next few years, they will adopt their own version of the orderly exit phenomenon".

The report also highlights the divergence between commercial paper rated prime by Moody's and paper without a prime rating. In the US between 1989 and 1991, the default rates of CP without a prime rating exceeded the default rate of prime-rated CP by 89 times.

The report points to several reasons for the increase in default rates globally since 1989, including the greater issuance of low-grade or junk CP, associated with the bull market.

Then, as liquidity in the credit markets tightened in 1989, commercial banks proved unwilling to back up liquidity as "lenders of last resort".

An accompanying report highlights the importance of alternative liquidity to the successful functioning of the commercial paper market.

Czech ATM network launched

CASH-short bank customers in Czechoslovakia will no longer have to wait hours to withdraw money following the introduction of the first network of on-line automatic teller machines (ATMs) by Komercni Banka, a leading commercial bank in the republic, writes Ariane Genillard in Prague.

The bank intends to install several dozen ATMs this year. Cardholders eventually will be able to use them for payments on goods and services as well as making cash withdrawals.

The bank has formed an Interbank Credit Card Association which will allow for a linked banking structure in the country. It will also issue international cards linked to the Eurocard/Mastercard and Cirrus networks, giving Czechoslovak citizens access to currency while they are travelling abroad.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS — Wednesday February 19 1992

[illegible]

FIXED INTEREST

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	66	15
Other Fixed Interest	5	6	6
Commercial, Industrial	261	264	953
Financial & Property	87	153	552
Oil & Gas	10	36	45
Plantations	0	0	9
Mines	35	23	92
Others	51	35	38
Totals	*449*	*583*	*1,710*

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Feb. 17
● Last Dealings Feb. 28
● Last Declarations May 28
● For settlement June 8

3-month call rate indications are shown on this page.

Calls in Arjo Wiggins Appleton, Aviva Petrlm., BTR warrants '94/95, *Cluff Res., Conroy Petrlm.,* Costain, B. Elliott, Gestetner, Hanson warrants, Pelon and Transfer Tech. Puts in Brent Walker, Rank Org., Transfer Tech. and Union Discount. Put and call in Oliver Res.

LONDON TRADED OPTIONS

[illegible]

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	40	Ladbroke	17	Sears	7½	■ OILS	
Allied-Lyons	55	Comm Union	38	Legal & Gen	31	*Smkl Bchm A*	78	*Aviva Pet*	1¼
Amstrad	3	Courtaulds	39	Lex Service	18	TI	48	BP	22
Astec (BSR)	3	Eurotunnel	39	Lloyds Bank	31	TSB	10½	Burmah Castrol	40
BAT Inds	50	FKI	5½	Lonhro	20	Tesco	17	Conroy Pet	7½
BOC	48	FNFC	12	Lucas Inds	9	Thorn EMI	85	Gaelic Res	½
BTR	32	Forte	19	Marks Spencer	22	T & N	11	Premier Cons	3
Barclays	31	GKN	25	Midland Bank	19	Unilever	70	Shell	37
Blue Circle	22	Gen Accident	35	NatWest Bank	24	Vickers	14	Tuskar Res	1
Boots	33	*GEC*	15	*P & O Dfd*	34	Wellcome	75	■ MINES	
Bowater	55	Glaxo	70	Racal Elect	4½	■ PROPERTY		RTZ	39
Brit Aerospace	27	Grand Met	78	RHM	18	Brit Land	21		
British Steel	6	GRE	11	Rank Org	45	Land Sec.	38		
Brit Telecom	24	*Hanson*	16	*Ratners*	5	MEPC	31		
Cadburys	33	ICI	90	Reed Intl	40	*Mountleigh*	2½		

UK COMPANY NEWS

'Honest broker' attempts to end Brent Walker/GrandMet dispute

Bank adopts peacemaking role

By Robert Peston

THE BANK of England has been acting as a peacemaker to end the dispute between Grand Metropolitan, the drinks conglomerate, and Brent Walker, the leisure group.

"The Bank has been acting as an honest broker", said a banker with a close knowledge of the talks. A settlement with GrandMet has been the last hurdle to be cleared by Brent Walker in its year-long attempt to reconstruct its balance sheet and avoid receivership.

However, it also emerged yesterday that the refinancing of Brent Walker – which owes £1.5bn to more than 50 banks – could go through as soon as next week, whether or not a deal with GrandMet is struck.

Brent Walker owes GrandMet the £50m deferred payment on its £679m purchase of the William Hill bookmaking chain. But it is counter-claiming almost £300m, which it said is owed by GrandMet, because William Hill's profits have been less than expected.

The banks had originally stipulated that they would only reschedule their loans to Brent Walker and convert some of the debt into equity if GrandMet also agreed to defer its £50m claim on Brent Walker.

But a banker said that the banks' patience was almost at an end. So the banks are likely to drop the condition that Brent Walker reach agreement with GrandMet before the refinancing is finalised. They are no longer frightened of the consequences if GrandMet exercises its right to put Brent Walker into receivership.

"In the short term, the losses for us on our loans to Brent Walker would be identical, whether or not it is in receivership", a banker said.

An offer has been put by Brent Walker to GrandMet that – as part of the reconstruction – £20m owed to GrandMet should rank ahead of the banks' loans in the pecking order for repayment and that the remaining £30m should rank alongside the banks' loans. "We have made GrandMet a very attractive offer", said a banker.

"If it does not accept and puts Brent Walker into receivership, it will end up with nothing", said another banker. The banks have also told GrandMet that they would provide funds to a receiver to allow the receiver to pursue GrandMet through the courts for payment of the £300m.

"GrandMet will not come to the negotiating table", said one of the group's principal bankers, who are owed more than £1.5bn. Because of its reluctance, Standard Chartered, the bank acting as co-ordinator of Brent Walker's banks, recently arranged for officials at the Bank of England to attend a meeting between Brent Walker and GrandMet.

BP board changes 'unconnected with results'

By David Lascelles, Resources Editor

SEVERAL CHANGES to the main board of British Petroleum were announced yesterday, a move which will strengthen the role of executive directors. BP will also get its first female director.

The changes were triggered in part by the departure yesterday of Mr James Ross, the managing director in charge of BP's US operations, to become chief executive of Cable and Wireless. Mr Ray Knowland, another managing director, is leaving having exceeded retirement age. Sir Campbell Fraser, a non-executive director, is retiring after 14 years on the board.

In their place, BP is appointing three executive directors, Mr Steve Ahearne, chief financial officer, Mr Rodney Chase, who will take over Mr Ross' US responsibilities, and Mr Bryan Sanderson, chief executive of BP Chemicals.

A new non-executive director is Ms Karen Horn, chairman and chief executive of Banc One, the Cleveland banking group. She will become the first woman to penetrate the BP boardroom.

The changes mean that all BP's principal divisional heads now have seats on the board under Mr Robert Horton, chairman and chief executive. Last year, Mr John Browne, chief executive of BP Exploration, and Mr Russell Seal, chief executive of BP Oil, were made managing directors.

The changes give BP eight executive directors and nine non-executive.

BP said the changes were unconnected with last week's poor set of 1991 results. BP denied at the time that there had been any divisions in the board over dividend policy.

See Lex

Trevor Humphries

Howard Klein: a foreign holiday is no longer regarded as a luxury but as a necessity

Owners Abroad surges to £31.6m despite international instability

By Michael Skapinker, Leisure Industries Correspondent

THOSE WHO make their living selling foreign holidays to the British continued to defy the recession yesterday when Owners Abroad, the UK's second biggest package tour company, announced full-year pre-tax profits more than doubled from £15.3m to £31.6m.

The results, which beat City expectations, came at the end of a year in which the travel companies were rocked by international instability.

Apart from the general downturn in consumer spending, the Gulf war reduced holiday bookings last January and February to unprecedently low levels. The civil war in Yugoslavia resulted in the industry losing what had previously been the holiday destination of some 500,000 Britons. Owners Abroad did benefit, however, from the collapse last March of International Leisure Group.

Although the number of charter package holidays sold in the UK fell from 11.7m to 10.4m last year, Owners Abroad's results suggest that many consumers are continuing to buy foreign holidays, despite cutting back on the purchase of other goods.

Mr Howard Klein, chairman, said: "I believe this is largely due to the fact that a foreign holiday is no longer regarded as a luxury but as a necessity, and that people are extremely reluctant to give up something for which they have worked hard and saved hard and looked forward to all year."

Turnover rose from £497.9m to £643.6m. Fully-diluted earnings per share improved to 12.6p (8p). The proposed final dividend of 2.2925p brings the total for the year to 3.2p (2.9p).

As a result of the £28.9m rights issue last March the company held a cash balance of £73m at the year end.

● COMMENT

It must be galling to see your shares fall after you have more than doubled profits in the midst of arguably the worst recession in living memory. The 3p drop in Owners Abroad's shares yesterday to 117p was, however, widely seen as profit-taking by a market which had largely anticipated the good news. Even so, to anyone unfamiliar with the history of package travel in the UK, the shares look cheap. Expected pre-tax profits for the current year of £37.5m and earnings of 13.2p put the company on a prospective multiple of slightly less than 9. The low rating partly reflects nervousness about a possible price war. The company insists that the industry has learnt the lessons of the late 1980s and that its price-slashing days are over. It insists it is driven by profit rather than market share and believes the same is true of other large travel companies. However, Thomson, the leading operator, has vowed it will protect its market share against Owners Abroad and Airtours, the industry's number three. While the industry continues to talk tough, it can hardly complain if memories of its misspent youth still linger.

Pilkington gets $40m for Coburn Optical

By Maggie Urry

Pilkington, the glass group, has agreed the sale of Coburn Optical Industries, a US subsidiary which makes spectacle and contact lens processing machinery, and expects to receive the $40.3m (£22.9m) cash consideration by its March financial year end.

Coburn was put on the market last May when Pilkington hoped to sell it for more than $50m. It said yesterday that in the current climate the price achieved was not disappointing. It is likely to see a small loss on the sale. The purchaser is a private company controlled by Mr Robert Jepson, a US businessman.

The disposal is part of Pilkington's programme of selling non-core activities which has raised about £200m over the last two years. The money will be used to reduce debt.

Pilkington acquired Coburn when buying Visioncare, Revlon's eyecare business, for £361m in 1987, but it was not considered an essential part of that business.

Although Coburn was profitable, Visioncare plunged into losses and its future was uncertain. When Pilkington reported interim figures in December it said that Visioncare had returned to trading profits, and since then has said it would not sell Visioncare.

Redland resumes war of words

By Jane Fuller

REDLAND, the building materials group which is making a hostile £625m bid for its rival Steetley, yesterday resumed its assault after receiving a favourable indication from the trade and industry secretary on Tuesday.

With Steetley's rival plan to merge some of its operations with Tarmac referred to the Monopolies and Mergers Commission, Redland has written to Steetley shareholders amplifying previous criticisms and making new claims about cost savings.

It has not so far moved on its offer of 85 shares for every 100 of Steetley's, with a mainly cash alternative. The offers value Steetley's shares at nearly 400p or 361p respectively, compared with the target's closing price of 388p.

The latest document attacks Steetley's profit performance over the past five years, its high gearing – 67 per cent on net debt of £242m, low interest cover and intention to pay an uncovered dividend.

It questions its claim to have a focused business and criticises its efforts at expansion overseas, notably in France.

The new claim for annual cost savings of £30m raised eyebrows at Steetley. Mr Richard Miles, managing director, said: "We don't believe that figure." He challenged Redland to spell out how it would be done.

He also retaliated against the comparison of profit records, saying that Steetley had performed better than Redland over the past 10 years in terms of increases in pre-tax profit, earnings and dividend.

● The Takeover Panel said yesterday that the bid timetable would resume after the secretary of state announced that the Redland offer would definitely not be referred to the MMC. The announcement was expected soon after February 25 and "day 39" would be two days later.

Clegg denies unlawful share dealing

By Bronwen Maddox

MR JOHN Clegg, who resigned three weeks ago as managing director of Wace Group, the printing services company, denied last night that he had in any way been involved in potentially unlawful dealings in the shares of Parkway Group, one of Wace's most ambitious acquisitions.

Mr Clegg left the company after a press article on January 26 alleged links between Wace and the IRA. Wace immediately denied any such links.

It has become clear that Wace's funding was investigated last year by security forces, and no evidence was found of links with the IRA.

However, Wace's internal inquiry since Mr Clegg left has revealed that up to 4m shares in Parkway – about 9 per cent of its capital – were bought in the names of Mr Clegg's cousins and others at the same addresses in the months before Wace's bid on August 1 1990.

Wace has passed a dossier on these dealings to the Department of Trade and Industry.

Mr Clegg said yesterday, in a statement issued through his solicitor, "I have never acted on, or provided to others, any price-sensitive information. I am more than happy to co-operate in any enquiries which may be conducted by the London Stock Exchange, or the DTI."

He had "little alternative but to resign" as the other directors of Wace "became concerned at the possibility of continuing rumours regarding myself and my family which in the climate created by the original article they felt might be damaging to Wace."

Wickes proposes to convert loan stock

Wickes, the DIY and timber group, is proposing to convert the outstanding £19.1m of its 5.5 per cent subordinated convertible unsecured loan stock into ordinary shares on the basis of 97.333 new ordinary for every £100 of stock held.

There is a cash alternative of 73p per £1 nominal of stock held, underwritten by SG Warburg Securities.

Irrevocable undertakings in favour of the proposal have been given by holders of 77.3 per cent of the stock.

Drayton Cons hit by Alma collapse

By Philip Coggan, Personal Finance Editor

ALMA, the confectionery company which went into receivership yesterday, was the second largest holding in the portfolio of Drayton Consolidated Investment Trust.

The trust said it had already written down the value of its holding in Alma last year, as part of a review of its unquoted portfolio which resulted in a £37m provision.

But even after the write-down, Drayton advanced further loans to the company before attempts were made to sell the company late last year after its performance had deteriorated sharply. Drayton's final exposure in terms of equity and debt was £19.8m, equivalent to 11 per cent of its total portfolio.

The trust, managed by Invesco MIM, said that "no recovery which would be material in the context of net asset value is expected from the equity or loans in Alma". The effect of a complete write-off will be to knock about 57.8p off the trust's net asset value, which at the last balance sheet date was 422.4p.

In August, a sudden fall in its share price prompted Drayton to issue a statement detailing its exposure to unquoted companies. Drayton's share price has fallen from a peak of 587p in late 1989.

A number of investment trusts specialising in the unquoted sector revealed write-downs of assets last year, as the recession battered the finances of smaller companies. Investors have questioned the methodology used by investment trust managers to value unquoted assets.

Lloyds Abbey Life declines to £305.5m

By John Authers

LLOYDS ABBEY Life, the life assurance group, yesterday announced profits before tax of £305.5m for 1991, a 4.2 per cent drop compared with the previous year.

The share price fell 11p to 379p on the news, mainly in reaction to the company's decision not to increase its final dividend. The total for the year is 17.3p, up from 17p last time.

The company pointed out that pre-tax profits in its insurance businesses rose from £263.5m to £294m, and it was optimistic that its core strategy of selling life assurance and pensions to the customers of Lloyds Bank would continue to succeed.

However, Sir Simon Hornby, chairman, admitted: "Our non-insurance businesses have once again been severely affected by the recession, with bad debts in Lloyds Bowmaker continuing at a high level and the deeply depressed property market further reducing profits in the residential business of Black Horse Agencies."

Within its insurance businesses, Black Horse Financial Services, which sells life products to customers of Lloyds Bank, saw pre-tax profits increase by 34 per cent from £67m to £89.5m, and Lloyds Bank Insurance Services, selling general insurance, advanced 12.1 per cent from £48.7m to £54.6m.

However, Abbey Life barely improved its position, increasing pre-tax profits by only 0.4 per cent from £142.3m to £142.9m.

On the non-insurance side, pre-tax profits at Lloyds Bowmaker dropped 55 per cent from £50m to £22.3m, while Black Horse Agencies incurred a loss of £1.4m.

Mr Roman Cizdyn, an analyst at Smith New Court, pointed out that from the point of view of the dividend the profits had been made in all the wrong areas of Lloyds Abbey's business. He said: "A lot of the profit is not distributable because it is embedded in the life business."

However, Mr Roger Harvey, analyst at Kleinwort Benson, said the dividend had always been a "finely balanced decision". He said it reflected a prudent approach by the new chairman to the recession, and had not been forced on the company by any unforeseen circumstances.

See Lex

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 20.02.92: Pool purchase price £/MWh	Final Prices for Trading on 21.01.92: Pool purchase price £/MWh	Final Prices for Trading on 21.01.92: Pool selling price £/MWh
0030	17.06	17.17	17.17
0100	17.38	17.20	17.20
0130	17.95	17.20	17.20
0200	17.96	17.20	17.20
0230	17.09	17.19	17.19
0300	17.09	17.19	17.19
0330	17.09	17.16	17.16
0400	17.05	17.16	17.16
0430	17.05	17.16	17.16
0500	17.05	17.14	17.14
0530	17.05	17.16	17.16
0600	17.06	17.18	17.18
0630	17.08	17.20	17.20
0700	17.38	17.23	17.23
0730	17.96	19.47	21.91
0800	27.92	21.26	23.89
0830	18.05	23.06	25.87
0900	19.53	23.80	26.72
0930	23.44	24.15	27.14
1000	23.47	29.03	32.13
1030	23.44	28.76	31.60
1100	23.40	23.00	25.78
1130	28.02	23.03	25.82
1200	28.01	23.20	26.03
1230	27.98	22.78	25.51
1300	20.37	22.30	24.89
1330	19.09	19.50	21.86
1400	19.08	19.28	21.61
1430	17.65	17.62	17.62
1500	17.58	17.83	17.83
1530	17.40	17.67	17.67
1600	17.56	20.07	22.65
1630	17.56	38.16	44.09
1700	19.11	77.67	92.12
1730	22.95	99.71	115.23
1800	28.63	95.24	110.58
1830	28.76	57.99	66.77
1900	26.45	33.10	37.83
1930	22.25	24.83	27.58
2000	18.06	21.00	23.49
2030	18.04	19.35	21.69
2100	17.82	19.27	21.59
2130	17.10	19.03	21.33
2200	17.09	17.98	20.26
2230	17.05	17.20	17.20
2300	17.04	17.18	17.18
2330	17.03	17.16	17.16
2400	17.02	17.12	17.12

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £10.65/MWh becomes 1.065p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependant upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

UK COMPANY NEWS

Recession affects most British Aerospace divisions, though Gulf war benefits defence and construction

Rover dives to losses of £83m

By Kevin Done, Motor Industry Correspondent

THE ROVER Group motor vehicle operations plunged from profits of £103m to pre-tax losses of £83m last year in the face of the deep recession in the UK new car market.

Rover, a subsidiary of British Aerospace, also suffered an additional extraordinary loss of £45m arising from the withdrawal from the US car market and the costs of closing Sterling Motor Cars, its US car marketing subsidiary.

Vehicle operations suffered a trading loss of £52m (profit £65m). The trading performance improved in the second half of the year, however, with £45m of the overall trading loss coming in the first half.

Turnover at Rover was virtually unchanged last year at £3.74bn (£3.79bn) and accounted for a third of BAe's group turnover.

Despite a fall in sales volume and production, Rover's turnover was helped by an improved model mix and prices increases. The company also stood largely aloof from the discounting price war started by Ford, the UK market leader, last summer.

Rover's vehicle production fell by 16.2 per cent to 419,861 (501,323). The fall was cushioned by a 36 per cent jump in output to 35,952 of the Honda Concerto (included in the above figures) at Rover's Longbridge, Birmingham, assembly plant.

Honda, the Japanese car maker, owns a 20 per cent stake in Rover's vehicle operations.

Excluding the Honda production, Rover's car output fell by 19 per cent to 329,335 (406,253), while output of Land Rover four-wheel drive vehicles (including the Range Rover, Discovery and Defender ranges) fell by 20.5 per cent to 54,574.

Rover car sales worldwide fell by 12 per cent to 351,588 (400,821) with the main decline coming in the UK with a 21 per cent decline to 224,278.

Car sales outside the UK rose by 9.2 per cent to 127,310 helped by significant increases in Italy, Spain and Germany. Japan also remained Rover's biggest single market for the Mini.

Mr George Simpson, Rover chairman and deputy chief executive of BAe, said that Rover had reduced its workforce by 6,000 last year (including 2,000 salaried staff) to 35,500 at end of 1991 and a further 400 jobs had been cut in January.

Rover's financial performance in the second half of last year had improved "substantially", thanks to swift actions taken to cut costs – £50m was taken out of annual fixed costs during 1991.

Inventories had been reduced significantly and had shown a year-on-year fall of more than £200m.

The group's break-even manufacturing level had been reduced by 80,000-90,000 vehicles and was now significantly below 450,000 vehicles a year, he said. Investments this year were expected to fall from £255m to just over £200m in 1991.

Mr Simpson said that Mr Kevin Morley, formerly managing director for Rover Cars' commercial operations, had left the company during the recent reshuffle of top management. He remained a non-executive member of the Rover board but was "no longer an employee of the company".

Mr Morley had formed his own company, Kudos, to provide "integrated marketing services" to Rover, but it had not yet been decided which services Kudos would provide and which would be supplied by sub-contractors.

Mr Simpson said that the formation of Kudos was aimed at reducing Rover's marketing costs per vehicle.

Ashley Ashwood

Dick Evans (left), chief executive, and Sir Graham Day, chairman: possible Saudi stake 'has never been discussed'

Lone bright spot is defence with £553m

By David White, Defence Correspondent

DEFENCE CONTINUED to provide the backbone of British Aerospace's operating profits last year in spite of a reduction in military sales.

The group's defence activities, regrouped this year into one division, showed trading profits of £500m, up from £486m in 1990. Profits before tax and exceptional costs emerged at £553m (£504m). Apart from its construction interests – partly defence-related through military infrastructure projects in Saudi Arabia – defence was the only sector in the black in 1991.

This was despite British government defence spending cutbacks and a tough world market. These combined to reduce BAe's military sales during the year by 8 per cent to £4.27bn, notwithstanding the rush of extra business during the Gulf conflict.

The profit boost came mainly in the first half of the year, with profits of £281m from defence, including military aircraft, guided weapons and munitions.

Exports, principally to Saudi Arabia, made up 70 per cent of defence sales. Mr Dick Evans, chief executive, said he expected contracts under the second phase of Britain's Al Yamamah agreement with Saudi Arabia to be concluded "in the fairly near future".

The framework agreement for further UK arms exports including more Anglo-German-Italian Tornado fighter-bombers and BAe Hawk jets was signed by the two governments over 3½ years ago.

Mr Evans poured cold water on reports that Saudi Arabia might be poised to take a shareholding in BAe. "It has never been discussed with us. We don't have knowledge of it," he said.

Development of the European Fighter Aircraft with German, Italian and Spanish partners was "progressing well", he said, predicting that the first two prototypes would be flying soon after mid-year.

Mr Evans said he expected a UK government to decide "very soon" on a close-range air combat missile for the RAF – a decision crucial to the future of the company's guided weapons business.

Commercial aircraft side deeper in loss

By Paul Betts, Aerospace Correspondent

THE REGIONAL aircraft business remains the Cinderella of British Aerospace.

Both Sir Graham Day, BAe's interim chairman, and Mr Dick Evans, chief executive, conceded yesterday that the company's regional aircraft activities faced an extremely tough year in 1991 and that the company was currently talking with other regional aircraft manufacturers to try to rationalise the sector.

BAe's commercial aircraft operations reported a trading deficit of £37m last year compared with a £14m surplus in 1990 in spite of achieving profits from its 20 per cent stake in the European Airbus airliner programme and its corporate jet activities.

Mr Evans said that in the regional aircraft market there were "too many producers producing too wide a variety of aircraft types".

But he added there was now emerging a consensus among manufacturers to find a "common ground" and a "way forward" for the regional aircraft business.

BAe produces the 146 regional jet, the Advanced Turbopropeller Aircraft and the smaller Jetstream turbopropeller commuter aircraft.

These programmes have faced intense competition in a market which has suffered from the dire financial difficulties of smaller commuter and regional airlines.

Sir Graham confirmed yesterday that BAe would no longer consider financing the development of a new commercial aircraft on its own. But although talks were continuing with other manufacturers, there had been no concrete indications so far of an imminent partnership deal between BAe's regional aircraft business and other manufacturers.

However, Mr Evans said the decision of splitting BAe's commercial aircraft activities into three separate units – including its Airbus activities, regional aircraft and corporate jets – was expected to help the company negotiate a partnership deal in the regional aircraft sector.

He also said there were no similar plans for the company's profitable corporate jet operations.

"Our executive jet business is not on the market", he insisted.

BAe continues to see its stake in Airbus as providing the best prospects for its commercial aircraft activities. BAe produces all the wings for Airbus airliners.

Bodycote pays $14.6m for technology growth

By Angus Foster

BODYCOTE International, the metal technology, packaging and textiles group, plans to become a leader in the world market for "hip'ing" – a process to improve the quality of metals and glass – through the acquisition of two companies for $14.6m (£8.3m).

The group is buying Industrial Materials Technology, which has two plants in the US, and IMT Europe, based in Belgium, from National Forge Company of Delaware.

Bodycote will pay $637,000 cash. The rest of the consideration will be met through the issue of 2.23m new shares, representing about 8.5 per cent of the issued capital, which were placed by Kleinwort Benson Securities at 356p apiece.

The acquisitions follow the takeover last year of HIP, which developed hip'ing – also known as Hot Isostatic Pressing – in the UK. Bodycote now claims to be one of the leading suppliers of the service, which removes voids and other defects from treated materials.

Bodycote's directors said the company had performed well in the second half of last year.

They are estimating pre-tax profits for 1991 before extraordinary losses of not less than £11.3m, against £10.6m in 1990. Extraordinary losses of £750,000 stem from the closure of a fabrics subsidiary.

French group agrees £9.4m cash offer for Polymark

By Angus Foster

POLYFINANCE, the French laundry and sports equipment distributor, plans to move into the UK via a recommended cash offer for its former parent, Polymark International, the industrial laundry and label manufacturer and supplier.

Polyfinance, which was set up as a separate company in 1990 following a management buy-out, is offering 37p and 164½p respectively for each ordinary and A share. This represents respective premiums of 10.4 per cent and 25.6 per cent above Tuesday's closing prices. The offer values Polymark at about £9.4m.

Polymark's ordinary shares, which traded at 25p before the bid was first mooted in January, gained 2p to 36p. The A shares added 32p to 163p.

Polyfinance, which has operations in France and Germany, said it wanted to expand its laundry business into the UK and identify cost savings.

Polymark has accepted the offer. Directors hold 0.23 per cent of the ordinary and 8.44 per cent of the A shares.

The offers will be made by Société Générale Merchant Bank on behalf of Polyfinance.

Southdown BS incurs £9.8m loss

By David Barchard

Southdown Building Society incurred a pre-tax loss of £9.8m in 1991, after bad debt provisions of £14.1m.

The loss was the fourth to be announced by a society in 1991. In November Southdown agreed to merge with Leeds Permanent after it was evident it was heading for a loss.

Southdown said that about half the provisions were made against residential mortgage lending and the rest against losses on building finance and commercial lending.

At the end of 1991, the society had assets of £746.3m. Members of the society will vote on the merger with Leeds at a special general meeting on March 11. Savers will receive a 1 per cent bonus on the lowest balance in their accounts between November 23 and the merger, and borrowers will be given a 0.5 per cent cut in their interest rate for six months.

NEWS DIGEST

Acquisitive Alumasc rises 32%

ALUMASC, the UK's biggest producer of beer kegs, and a maker of precision components and building products, is raising its interim dividend on the back of a 32 per cent increase in pre-tax profits.

For the six months ended December 31 1991 profits were £3.65m, compared with £2.77m, from turnover of £23.6m (£22.3m).

Earnings per share rose 13 per cent to 15.8p (14p), and the interim distribution is lifted 11 per cent to 3.55p (3.2p).

The rise in profits came principally because the group had widened its business through acquisition, it continued to draw interest from its net cash balances, and it had sought to fend off pressure on margins by stringent management controls.

Although, subject to any further expansion, the group expected to remain cash positive for the second half, market conditions for its products were depressed "with particular weakness in demand for products linked to consumer demand," Mr John McCall, chairman, reported.

Business with the brewing industry "experienced the most severe decline with demand for new containers falling away," he noted.

Operating profit rose to £3.54m (£2.7m), while interest contributions climbed to £109,000 (£66,000).

Leslie Wise falls 43% to £2.86m

Leslie Wise, the textiles, womenswear and knitted fabrics group, suffered a 43 per cent fall in profits to £2.86m pre-tax for the year to end-November.

However, with the core companies reporting "an improved outlook" and "in the light of the sound financial strength of the group" the dividend for the year is maintained at 4p via a proposed same-again final of 2.25p. The shares rose 7p to 65p.

Turnover fell by 7 per cent to £40.5m. A 93 per cent increase in exports to £5.31m partially offset a 14 per cent reduction in UK turnover.

Tax was reduced from £1.7m to £895,000 leaving earnings per share at 5.8p (9.96p).

Legal and professional costs of £159,000 resulting from termination of the merger talks last December between Leslie Wise and Helene were taken below the line.

New Zealand Trust suffers downturn

Net asset value per share of the New Zealand Investment Trust stood at 89.8p at January 31. That compared with 68.5p a year earlier and with 95.8p at the October 31 year-end.

Net revenue for the three months to January 31 amounted to £62,141 (£93,766), for earnings of 0.62p (0.94p) per share.

The first interim dividend is reduced from 0.75p to 0.5p.

FBD moves on with Spanish development

FBD Holdings, the insurance and property development group, has increased its interests in Spain through its FBD Properties subsidiary.

It has become the sole owner of Ranchos Reunidos, which is currently developing La Cala Golf and Country Club in southern Spain and in which it previously held a 48 per cent stake.

FBD is now accelerating completion of the 620 acre project, which currently has one golf course and club house finished. The next phase includes residential properties, shopping centres and a hotel.

Total cost of the project to date is £25m and a further £7m will be invested before the year-end. Pre-bookings, of sales to be completed, exceed £8m and the company is confident that the sales budget for the year of £10m will be achieved.

ECU Trust net asset value at 58.2p

The ECU Trust, which was launched at the end of July 1990, had a net asset value of 58.2p per share at December 31 compared with 49.3p a year earlier. Its latest published asset value was 59.6p on January 31.

Net revenue for the six months to end-December amounted to £96,000 (£372,000 for the five months from the trust's launch to December 1990). Earnings per share dropped from 1.24p to 0.32p.

The trust has continued its policy of reducing exposure to the UK market with the addition of further continental stocks, mainly in the capital goods sector.

Jos net asset value shows improvement

Net asset value per share of Jos Holdings, an investment trust, improved to 177.6p over the half year to end-January against 150.9p a year earlier, but was marginally lower than the 180.0p at the July 1991 year end.

Investment income for the six months was down slightly from £273,666 to £268,221 but other income fell to £45,134 (£93,132). Net income emerged at £185,812 (£224,793).

Earnings were 2.01p against 2.43p but the interim dividend is increased from 1.125p to 1.75p to reduce disparity.

CountyGlen losses leap to I£153,000

CountyGlen, the Irish property investor and trader, continued to seek suitable acquisitions; search and evaluation costs were reflected in a loss of I£153,000 (£141,700) for the six months to October 31.

That came from turnover of I£38,000, and compared with a deficit of £49,000 on turnover of I£52,000 in the previous year. Losses per share were 4.3p (1.5p).

The principal focus of activity was a joint venture on the proposed retail development in the Tallaght area of Dublin. Though no longer a likely investment, discussions continue to recover costs which were incurred.

ECC expands in US with $20.5m buy

ECC Group, the world's largest supplier of china clay which also has interests in concrete and aggregates, is to expand in the US via a $20.5m (£11.6m) acquisition.

The group has conditionally agreed to acquire the sand and gravel mineral reserves of Walt Flanagan and the business and fixed mobile plant of Flanagan Readymix of Denver, Colorado.

The cash acquisition is expected to be completed by next month.

Flanagan is one of Denver's leading producers of ready mixed concrete, and the mineral assets acquired consist of some 22m tons of sand and gravel reserves.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Alumasc	int	3.55	Apr 13	3.2	-	10
Brit Aerospace	fin	16.1†	June 1	16.1	25	25
Jos Hldgs	int	1.75	Apr 8	1.125	-	5.49
Leslie Wise	fin	2.25	Apr 15	2.25	4†	4
Lloyds Abbey	fin	11☆	May 5	11	17.3	17
NZ Inv Trust	int	0.5‡	Apr 2	0.75	-	2.6
Owners Abroad	fin	2.2925	Apr 30	2.075	3.2†	2.9

Dividends shown pence per share net except where otherwise stated. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Scrip option. ‡First interim.

BOARD MEETINGS

TODAY

Interims- Ardagh, Colorgen, El Oro Mining & Exploration, Exploration Co, Fleming Enterprise Inv Trust, Glaxo, SWP.

Finals- Bensons Crisps, Foreign & Colonial Enterprise Trust, Headline Book Publishing, Inv Trust Of Guernsey, Provident Financial, Royal Dutch Petroleum, Shell Transport & Trading, Smaller Cos Inv Trust, Tribune Inv Trust, Ward Hldgs, Yorkshire Chemicals.

FUTURE DATES

Interims-

Bellwinch	Feb. 27
Butte Mining	Feb. 26
Dunton	Feb. 21
Goodwin	Feb. 28
Hong Kong Inv Trust	Feb. 28

Finals-

British Polythene Inds	Mar. 4
Burnfield	Mar. 3
Cluff Resources	Feb. 27
Evans Halshaw	Mar. 17
Green Property	Feb. 27
London Forfaiting	Feb. 25
MTL Instruments	Mar. 5

PUBLIC WORKS LOAN BOARD RATES

Effective February 19

	Quota loans*		
Years	EP†	A††	maturity§
1			10⅛
Over 1 up to 2	10⅛	10⅛	10⅛
Over 2 up to 3	10⅛	10⅛	10
Over 3 up to 4	10	10	10
Over 4 up to 5	10	10	10
Over 5 up to 6	10	10	10⅛
Over 6 up to 7	10	10	10⅛
Over 7 up to 8	10	10	10¼
Over 8 up to 9	10	10⅛	10¼
Over 9 up to 10	10⅛	10⅛	10⅜
Over 10 up to 15	10¼	10⅜	10⅜
Over 15 up to 25	10½	10⅜	10¼
Over 25	10⅜	10¼	10¼

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

COMMODITIES AND AGRICULTURE

Headaches over Russian metal sales 'to continue'

By Kenneth Gooding, Mining Correspondent

RUSSIA'S METAL production and exports to the west would fall this year but remain high enough to continue causing western producers severe headaches, analysts suggested yesterday.

Metal output might drop as much as 15 per cent from last year's level, according to Burdett, Buckeridge & Young, the Australian stockbroker. Last year production of the main traded metals fell from the 1990 level by between 5.5 (nickel) and 11.5 per cent (tin).

Russian metal exports could fall by a third this year, mainly because of problems caused by new taxes and licensing, Mr Ted Arnold, analyst at Merrill Lynch, suggested.

He pointed out there was an eight-week backlog for licences in Russia and it seemed exports had more or less ground to a halt. Mr Arnold said metal exports would be low in the first quarter of 1992 because rail transport in Russia had been diverted to moving food and fuel. It should return to normal in the second quarter.

Other analysts were less convinced that exports would drop so much. "While the flow of metal might not quite reach 1991 levels, it will remain very high by historic standards," said Mr Neil Buxton, analyst at Metal Bulletin Research. "There will be a lot of metal for the relatively sluggish western European economies to absorb."

Mr Buxton pointed out, even if exports slowed, there was a great deal of Russian metal already in Europe – for example 30,000 tonnes of nickel in Rotterdam.

Analysts were puzzled by remarks made in London by Mr Anatoly Filatov, chairman of Norilsk, Russia's main nickel producer. He insisted that delays in nickel shipments had not been caused by bureaucratic delays and the new export tariff but because prices were too low.

Mr Filatov told Reuter that Norilsk had already closed one smelter in Siberia for six-months maintenance work because of low prices and said it would not ship nickel to the west if the price fell below $3.50 a lb. Last night nickel closed in London at $3.63.

Analysts suggested that Norilsk could not have escaped the difficulties faced by other Russian metal producers. Burdett, Buckeridge pointed out in a study of the Russian resources industry that these included problems of labour productivity, old-fashioned equipment, shortages of raw materials and capital and failures in power supply.

Soviet Mineral Output ('000 tonnes)

	1990	market share
Aluminium	2,600	14.3%
Copper	1,340	13.5%
Lead	730	11%
Nickel	215	26%
Zinc	1,015	13%
Gold	270	13.5%
Iron ore (metal cont.)	132,000	27%
Steel	154,000	20%
Coal	630,000	13%
Crude oil	11,400	17.5%
Natural gas (oil equiv.)	655	37%

Source: Burdett, Buckeridge & Young

Sugar demand estimate reduced

By David Blackwell

DEVELOPMENTS IN the Commonwealth of Independent States have forced Czarnikow, the London trade house, to reduce its forecasts for this year's world sugar production and consumption for the second time.

Production for 1991-92 is now estimated at 112.27m tonnes, compared with estimates of 112.86m tonnes and 113m tonnes in made last August and November respectively.

The latest figure reflects increased output projections for Thailand, China, Argentina and the EC, but these were more than offset by sharp falls in the CIS (to 6.75m tonnes) and Cuba (to 6.5m tonnes), says Czarnikow in its latest Sugar Review.

Consumption is put at 110.89m tonnes, compared with August and November predictions of 112.15m tonnes and 113.14m tonnes. The latest figure has been overshadowed by the CIS, where stocks held by consumers are high, and the picture is further obscured by overseas food aid prospects. Czarnikow now estimates Soviet consumption at 11.2m tonnes.

After allowing for unrecorded disappearance, estimated at 600,000 tonnes, the latest figures imply a net addition of 770,000 tonnes to world stocks.

Guyanese gold output at 76-year high

By Canute James in Kingston, Jamaica

AN INCREASE in payments to miners has led to an expansion in Guyana's gold production, which reached 59,300 troy ounces last year, 20,300 ounces more than in 1990, 4,300 ounces more than the industry had forecast and the highest for 76 years.

The Guyana Gold Board and the Miners Association in the English-speaking republic on the north eastern shoulder of South America, are anticipating production of 100,000 ounces this year, and significantly higher levels from next year when a major new mine begins production.

The local industry said the expansion in production is the result of a deregulation of Guyana's foreign exchange market and the consequent payment to miners at rates which were not pegged to the official exchange rate of the Guyana dollar.

An agreement with the government allowed the miners to keep a half of their earnings from gold in hard currency – a move which officials say provided a powerful incentive for increased production.

Guyana's gold is produced mainly by individual miners working alluvial deposits. Before the new incentives were offered, say government officials, much of Guyana's gold was smuggled across the country's borders to Venezuela, Brazil and Suriname, because of higher prices.

The industry is expecting a further expansion in national output from a US$150m venture by two Canadian companies, Golden Star Resources and Cambior. They are opening a mine in the Omai District of Guyana, where production is expected to begin by late this year. Annual output from next year is projected at an average 255,000 ounces annually during mine's anticipated life span of about 10 years.

Guyana's diamond production last year, at 22,000 carats, was just over 7,000 carats more than 1990 output. The increase has been attributed by government officials to changes in the manner in which miners are allowed to declare production. The government recently removed the need for miners to produce extensive documentation to back their declared production.

Credit doubts hit US grain futures

By Barbara Durr in Chicago

US GRAIN futures prices fell yesterday as trader scepticism set in about more US agricultural credits to Russia and the weather looked favourable for winter wheat.

Prices for maize and soyabeans had risen on Tuesday because of the announcement that Mr Boris Yeltsin, the Russian president, had requested another $600m in agricultural credits from Washington. It was believed that the Russians would be primarily interested in these feed grains.

But by mid-morning yesterday at the Chicago Board of Trade, maize had fallen by 1 cent in the March and May contracts, to $2.62¾ and $2.70½, and soyabeans have dropped by ¾ cents and 1¾ cents in its March and May contracts, to $5.71¾ and $5.80¾.

Grain analysts in Chicago said they doubted that Washington would be quick to agree to fresh credits for Moscow. They expect that the US government will wait to see if the Russians keep up with their hard currency payments in March on previous loans.

There was also uncertainty about Mr Yeltsin's political longevity. "There is caution about how to trade this information [about Russian credits]," said Mr Steve Freed, a grain analyst with Dean Witter.

Wheat futures took a bigger fall, dipping 5 cents for the spot month of March to $4.065 and by 4.5 cents to $4.04 for the May contract. Traders had been expecting an Artic blast in the upper Midwest, which would have potentially damaged winter wheat. But warm, moist weather, which will help the crops, settled in the region.

Czechs eager for farm land

THOUSANDS OF Czechs are eager to acquire private farms or start companies processing agricultural produce, according to the farmers' daily Zemedelske Noviny, reports Reuter from Prague.

"People are interested in buying parts of state farms to be privatised," the paper quoted Mr Karel Burda, head of the Czech regional agriculture ministry's privatisation department, as saying. "They do not want to start an archaic smallholder farm, but rather modern agribusinesses with 150 to 500 hectares of land."

He said that last year the ministry received only 700 projects to privatise ineffective state farms. The number at present was more than 2,600.

Bauxite producers undaunted

Canute James reports on Jamaican plans to expand production

THE ALUMINIUM market may be depressed, but this apparently is not daunting Jamaica's miners and refiners of bauxite, the ore from which aluminium is produced. In a display of confidence in the ability of the market to rebound, the industry is pursuing projects to expand refining capacity.

Basing its faith on the cyclical nature of aluminium demand the industry is spending heavily this year so that it will be able to take advantage of the improvement it expects in the market.

Jamaica, the world's third largest bauxite producer after Australia and Guinea, has nearly run out of spare bauxite refining capacity. Its installed capacity of 3.1m tonnes a year will allow for only marginal growth in output this year from last year's 3.01m tonnes.

"The problems affecting the aluminium market are short term," says Mr Carlton Davis, executive chairman of the Jamaica Bauxite Institute. "There is a bright future for aluminium in developments which will have a longer term impact, such as increased efforts towards energy conservation".

Mr Davis also sees good prospects for growth in aluminium consumption – and consequently in demand for bauxite ore and alumina – in the motor and food industries. The aluminium beverage can has yet to make its mark on the European and Japanese markets, he says.

A similar conclusion about the ability of the market to recover and the need to expand capacity now is drawn by Mr Billy Foster, director of process modernisation for Kaiser Aluminum of the US. "You always run the danger of building a plant only to see the market drop," he says. "But if we were to wait for a stable market before building plants then none would be built."

Consequently, Kaiser and Norsk Hydro of Norway, which own Alumina Partners of Jamaica, the island's largest refinery, are investing $180m to expand output. Kaiser has a 65 per cent share in the refinery.

Alumina Partners has a rated capacity of 1.2m tonnes a year and will initially be modernised to produce 1.55m tonnes a year. The project is being financed through the floating of bonds in Puerto Rico through a financing facility established by the island's administration.

The first issue of bonds, amounting to $60m, was completed in December. "The funding which is in place is intended to get the first phase of the modernisation started," says Mr Foster. "A second bond issue of another $60m will be sought when the first is consumed, maybe in August or September, and this second issue will allow us to complete the upgrading of the plant."

The expansion will be completed in the next 12 months, with the remaining funds coming from the resources of the two companies, which are already contemplating another increase in capacity to lift output to 2m tonnes per year. This second project will depend on demand for alumina, Mr Foster says.

Another refinery, Jamalco, jointly owned by the Jamaican government and the Aluminum Company of America, is also being upgraded. Some $30m is being spent on the plant this year in a programme aimed at increasing its output from 800,000 to 1m tonnes a year.

Alcan of Canada is concluding a $60m investment in its mines and two refineries in Jamaica, improving its ore transportation and port facilities and lifting output from its plants to 1.1m tonnes a year, 200,000 tonnes more than average production in recent years.

The government and Alcan are studying the feasibility of a new 1m tonnes-a-year plant on the island's north coast. If the project is approved, the plant is likely to cost about $1bn, with ownership by Alcan, the government and at least one other company from either Japan, the UK or another European country.

In another effort to expand the industry, negotiations are continuing between the government and interests from the Ukraine and the US on the start of a joint venture to operate a bauxite mine in Jamaica. The Nikolaev Alumina Company of the Ukraine, Pioneer Windows of New York and Jamaica Bauxite Mining, a state-owned company, plan to rehabilitate and work mines in northern Jamaica that were closed eight years ago by Reynolds Metals of the US.

It is to the Alumina Partners expansion, however, that the Jamaican industry is looking for almost immediate relief from the shortage of capacity that has caused a slowdown in the industry. Bauxite ore production rose by 5.5 per cent last year to 11.5m tonnes, compared with the 19.8 per cent expansion of 1990. The growth in alumina production also slipped last year to 5.5 per cent, from 30 per cent in 1990.

"It is now accepted in the industry that the four refineries in Jamaica are the most competitive in the world, except perhaps for the plants located in Western Australia," says Mr Davis. "They are, therefore, very good ventures for anyone with an eye on the long term market."

Cape fruit welcomed back to the fold

Philip Gawith on life after sanctions for South African exporters

WHEN MRS Margaret Thatcher visited South Africa last May, she was rapturously received by a business community deeply grateful for her committed stand against sanctions over the years. The deciduous fruit industry went so far as to name a new cultivar of nectarine Margaret's Pride in her honour.

Ironically, when Unifruco, the overseas marketing arm for the industry, tried last December to send Mrs Thatcher a sample of the first crop, it fell foul of the customs authorities and was impounded for two days. Unifruco have been more fortunate, however, in their own commercial activities. Indeed, the lifting of most trade sanctions against South African goods has been an enormous boost to the local fruit industry.

Earlier this month Mr Louis Kriel, Unifruco's chief executive, was in Europe, partly to celebrate a century of fruit exports from the Cape and partly in an effort to increase further the market penetration of South African agricultural goods into European markets. He wears a slightly bigger hat than a year ago when Unifruco was only concerned with the export of deciduous fruit. Since then arrangements have been struck with the citrus and wine industries whereby Unifruco will also have a hand in distributing their products.

On the citrus side, a joint venture company Fresh Fruit Services was set up. The logic of the tie-up is that it allows the two industries to rationalise service functions, like promotion, quality control, logistics and finance and systems, because their seasons are largely complimentary, although overlapping for a short period. The result is a ten month season over which to utilise resources.

The deal also boosts Unifruco's negotiating clout. Mr Kriel comments: "We can negotiate on behalf of 70m boxes of fruit instead of 40m (deciduous) and 30m (citrus) in Europe". A further reason for the deal is that although the Citrus industry for the most part is in the Northern Transvaal, with the deciduous fruit industry in the Western Cape, many Cape farmers are planting soft citrus fruits as a means of spreading risk and to take advantage of the growth in the market.

Unifruco's venture into wine is through a company called Vinfruco, an export company launched late last year as a joint venture between Unifruco and a consortium of co-operative wineries and independent estates in the Stellenbosch region. Mr Kriel says Vinfruco is a response to requests from some of their farmers and European supermarkets who discerned a demand for South African packaged wines to return to their shelves. "South Africa has the potential to be the latest fashionable new world wine discovery" says Mr Kriel. Vinfruco, which has launched two red and two white wines under the "Oak Village" label, will focus on the supermarket trade. Mr Kriel says their aim is to sell 30,000 cases in the first year, with ambitions to "multiply that extensively".

In terms of their existing market, Mr Kriel says that post-sanctions Unifruco is finding it can at last compete with its competitors as regards promotional activities. "We are being measured only on the intrinsic value of our product. That gives us a lot of confidence because we can see how we're gaining on our competitors." He estimates that in the new southern hemisphere season, Unifruco has supplied at least 30 per cent more fruit to Europe than in past years, and demand has certainly not grown by that amount. He says their aim is to get to more than 50 per cent of European Community southern hemisphere imports.

In the 1990-91 season Unifruco exported 35m cartons of fruit, earning R1.4bn (£280m) gross. Mr Kriel says at the rate things are going, they will reach their target of 50m cartons before 1995. Another change, apart from being able to compete on equal terms, he adds, is that "we're being treated by a number of organisations who were previously prevented by board decisions from supporting us as long-lost sons". These organisations believe they suffered by not being able to stock the premium Cape label. Mr Kriel cites the Albert Hein group in Holland as stocking Cape produce for the first time in seven years, and in volumes to rival the large British supermarkets.

Mr Kriel says they are under tremendous pressure from the trade to re-enter the American market with a bang. He comments: "We will be returning, but we will be rebuilding the market. We must recreate the premium image and then develop the volumes".

WORLD COMMODITIES PRICES

MARKET REPORT

Nickel prices fell sharply on the LME, moving quickly through chart support points in the afternoon. Dealers said volume was not particularly large and the absence of the recent big buyer contributed to the retreat from Monday's six-month highs. Liquidation, commission house and stop-loss selling weighed on the market, with three-month prices hitting $7,950 a tonne at one stage. Aluminium staged a partial recovery in afternoon trading after earlier losses on liquidation and technical selling following the recent jump to a seven-month high of $1,340 a tonne for three-month metal. The market found good support below $1,300, dealers said. Expectations of a resumption in Russian exports soon and the delay in the scheduled closure of Italian smelter facilities has undermined fundamentals this week. New York sugar prices were sliding at midday in a correction to Tuesday's steep rise, which traders and analysts said was generally technical – although some cited news that only four of Russia's 95 sugar processing plants were operating because of a lack of raw sugar. Comex gold futures were firmer at midday on a belief that prices might be headed higher, analysts said. Comex silver prices had recouped earlier losses by midday.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.00-5.05w	-.175
Brent Blend (dated)	$17.60-7.65	-0.10
Brent Blend (Apr)	$17.45-7.50	-.175
W.T.I. (1 pm est)	$18.45-8.55w	-.175
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$202-204	2
Gas Oil	$164-166	-1.5
Heavy Fuel Oil	$84-85	
Naphtha	$181-183	
Petroleum Argus Estimates.		
Other		+ or -
Gold (per troy oz)♣	$353.3	+1.05
Silver (per troy oz)♣	408c	-2
Platinum (per troy oz)	$359.6	-1.25
Palladium (per troy oz)	$84.65	-1.1
Copper (US Producer)	105.95c	-0.21
Lead (US Producer)	37c	
Tin (Kuala Lumpur market)	14.33r	-0.02
Tin (New York)	260.5c	-1
Zinc (US Prime Western)	62c	
Cattle (live weight)†	106.58p	+0.56*
Sheep (live weight)†♠	100.71p	-1.70*
Pigs (live weight)†	95.28p	-0.46*
London daily sugar (raw)	$209y	+10.9
London daily sugar (white)	$255.5y	+3.5
Tate and Lyle export price	£226.5	+6.5
Barley (English feed)	£120	
Maize (US No. 3 yellow)	£147	
Wheat (US Dark Northern)	Unq.	
Rubber (Mar)♥	50.75p	+0.25
Rubber (Apr)♥	51.00p	+0.25
Rubber (KL RSS No 1 Feb)	207.5m	-1
Coconut oil (Philippines)§	$580v	-2.5
Palm Oil (Malaysian)§	$380q	
Copra (Philippines)§	$460y	+15
Soyabeans (US)	£150.5	+1
Cotton "A" Index	55.75c	+0.15
Wooltops (64s Super)	455p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar t-Jan/Feb u-Jan/Mar v-Mar/Apr y-Feb/Mar z-Feb w-Apr. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	185.00	189.40	189.00 184.60
May	185.00	189.00	187.20 184.40
Aug	192.00	194.00	194.00 192.00
Oct	193.00	194.20	194.00
Mar	195.40		196.00
White	**Close**	**Previous**	**High/Low**
May	268.5	270.0	268.5 263.6
Aug	270.5	274.0	271.3 269.5
Oct	262.5	265.5	263.1 261.0
Dec	263.0	265.8	263.0
Mar	265.0	268.0	265.3 264.5

Turnover: Raw 889 (588) lots of 50 tonnes. White 1231 (1394)
Paris- White (FFr per tonne): May 1496.09

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Apr	17.56	17.60	17.58 17.28
May	17.51	17.59	17.52 17.26
Jun	17.51	17.57	17.51 17.30
Jul	17.36	17.53	17.45 17.27
Aug	17.40	17.65	17.45 17.25
Sep	17.25	17.64	17.30 17.25
Oct	17.38		17.38 17.30
Dec	17.38		17.40 17.38
IPE Index	17.40	17.74	

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Mar	163.00	163.75	163.50 160.75
Apr	161.25	162.00	162.25 159.75
May	160.25	160.00	160.25 159.00
Jun	161.25	161.50	161.75 159.75
Jul	163.75	164.00	164.00 162.00
Aug	165.75	166.50	165.75 164.25
Sep	167.50	169.00	168.50 166.75
Oct	170.25	170.50	170.25 169.25
Nov	171.75		172.75 171.00

Turnover 10375 (11550) lots of 100 tonnes

WOOL

Gradually increasing strength in Australian and other wool values during the previous two weeks continued to develop this week. The Australian Wool Corporation's market indicator passed through the 600 cent mark, a record since the free market was resumed just 12 months ago, and by February 19th was at 619 cents, with every sign of moving higher. Clearances are good and price rises now apply throughout the range, including finer merinos which have for a long time shown relative and often actual softness. The wool market's rise is accompanied by heavier stockpile sales in Australia, with nearly 56,000 bales sold last week.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Mar	671	667	675 662
May	698	693	704 689
Jul	725	723	732 719
Sep	750	748	758 742
Dec	784	782	789 776
Mar	814	812	821 812

Turnover: 5543 (6582) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb.18 854.94 (850.21) 10 day average for Feb.19 849.22 (850.93)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
Mar	816	817	819 806
May	849	851	851 840
Jul	879	875	880 868
Sep	905	901	905 894
Nov	929	927	927 919
Jan	950	953	942

Turnover:10265 (5137) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb. 18: Comp. daily 54.83 (56.93) 15 day average 56.77 (57.10)
Sterling close: March £467

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	120.0	119.0	119.8 119.0
May	140.0	139.0	140.0 139.0
Apr	126.5	127.0	127.0 126.0

Turnover 68 (85) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	127.50	127.50	127.50
Jun	123.00	123.00	123.00

Turnover 15 (78) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Feb	1228	1240	1240
Mar	1268	1256	1270 1260
Apr	1290	1279	1296 1275
Jul	1100	1100	1097
BFI	1265	1282	

Turnover 233 (479)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Mar	122.60	123.25	123.25 122.40
May	126.45	127.15	127.15 126.30
Jun	128.30	128.80	128.80 128.40
Sep	111.70		111.75 111.55
Nov	115.25	114.85	115.00 114.85
Jan	118.80	118.50	118.50
Mar	122.00	121.85	121.75
Barley	**Close**	**Previous**	**High/Low**
Mar	114.90	115.75	115.00
May	118.00	118.80	118.25 118.00

Turnover: Wheat 476 (479), Barley 64 (80). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
May	117.0		117.0
Jun	114.0	114.5	114.0
Jul	109.0		108.5

Turnover:9 (10) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 20,305 lots	
Cash	1271.5-2.5	1289.5-90.5		1267-8		
3 months	1297-8	1315-6	1310/1291	1292-2.5	1304-5	148,673 lots
Copper, Grade A (£ per tonne)					Total daily turnover 28,341 lots	
Cash	1253.5-4.5	1268.5-7.5		1262-3		
3 months	1280.5-1	1293-3.5	1290/1281	1287-8	1281.5-2	119,871 lots
Lead (£ per tonne)					Total daily turnover 2,702 lots	
Cash	285-6	280-1	284	284-4.5		
3 months	297-7.5	292-2.5	298/293	295.5-5.75	296-7	14,776 lots
Nickel ($ per tonne)					Total daily turnover 5,562 lots	
Cash	7950-60	8095-105	8075/8071	8075-80		
3 months	8000-10	8135-40	8150/7950	8120-5	7980-90	23,181 lots
Tin ($ per tonne)					Total daily turnover 883 lots	
Cash	5610-20	5645-50		5628-30		
3 months	5650-60	5685-90	5675/5655	5665-70	5650-60	5,443 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 13,454 lots	
Cash	1107-8	1112-4	1106	1105.5-6.5		
3 months	1127-8	1132-3	1128/1125.5	1125-5.5	1126-7	43,458 lots

LME Closing £/$ rate:
SPOT: 1.7517 3 months: 1.7273 6 months: 1.7041 9 months: 1.6843

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	353.10-353.50	
Opening	352.60-353.00	
Morning fix	352.85	201.033
Afternoon fix	353.20	201.219
Day's high	353.60-353.80	
Day's low	352.40-352.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.47	6 months	3.49
2 months	3.47	12 months	3.49
3 months	3.47		

Silver fix	p/fine oz	US cts equiv
Spot	231.45	405.75
3 months	237.15	408.75
6 months	242.85	414.05
12 months	254.30	424.15

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	353.00-354.00	201.25-201.50
Maple leaf	364.50-365.50	207.25-207.75
New Sovereign	87.00-88.00	49.50-50.00

TRADED OPTIONS

Aluminium (99.7%) Strike price $ tonne	Calls Apr	Calls Jul	Puts Apr	Puts Jul
1200	99	133	11	25
1300	37	73	48	63
1400	9	35	119	123
Copper (Grade A)	**Calls**		**Puts**	
2150	79	101	11	35
2250	22	49	54	81
2350	3	20	134	150
Coffee	**May**	**Jul**	**May**	**Jul**
800	58	92	10	13
850	29	58	30	29
900	12	34	63	55
Cocoa	**May**	**Jul**	**May**	**Jul**
725	15	38	44	39
750	9	28	63	54
775	5	21	84	72
Brent Crude	**Apr**	**May**	**Apr**	**May**
1800	22	41	78	
1850	14			
1900	8			

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	353.0	353.4	354.1	353.3
Mar	353.6	353.8	0	0
Apr	354.5	354.7	355.3	353.8
Jun	356.6	356.8	357.2	356.1
Aug	358.7	358.9	359.3	358.3
Oct	360.8	361.0	0	0
Dec	363.1	363.2	363.5	362.5
Feb	365.4	365.5	0	0
Apr	354.5	354.7	355.3	353.8

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Feb	360.2	366.0	358.5	358.5
Apr	361.9	362.1	362.0	358.5
Jul	361.6	361.8	361.5	359.0
Oct	366.1	366.3	363.0	363.0
Jan	366.1	365.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	405.1	405.2	405.0	405.0
Mar	406.5	406.6	407.5	404.0
Apr	406.9	407.2	0	0
May	408.7	409.0	411.0	407.5
Jul	411.8	412.0	414.0	410.0
Sep	415.2	415.4	417.0	416.0
Dec	420.5	420.6	423.0	418.5
Jan	422.1	422.2	0	0
Mar	426.3	426.4	427.0	427.0
May	430.6	430.7	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	100.75	102.05	101.65	100.75
Mar	100.95	102.25	101.90	100.75
Apr	100.50	101.60	101.00	100.60
May	100.20	101.00	100.75	99.80
Jun	99.85	100.50	99.90	99.80
Jul	99.50	100.10	99.95	99.10
Aug	99.35	99.90	99.40	99.40
Sep	99.20	99.75	99.50	99.25
Oct	99.10	99.65	0	0
Nov	99.00	99.55	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	18.38	18.12	18.43	18.08
Apr	18.69	18.27	18.68	18.30
May	18.81	18.45	18.83	18.46
Sep	18.90	18.62	18.90	18.68
Oct	18.98	18.63	18.98	18.70

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Apr	5225	5120	5240	5120
Jun	5165	5075	5180	5080
Jul	5195	5100	5190	5100
Aug	5271	5182	5275	5190
Sep	5400	5312	5400	5380
Oct	5500	5417	5500	5420

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1084	1066	1094	1076
May	1109	1096	1121	1102
Jul	1146	1134	1156	1142
Sep	1182	1173	1193	1182
Dec	1230	1218	1234	1230
Mar	1262	1256	1268	1265
May	1285	1283	0	0
Jul	1316	1304	1315	1315
Sep	1348	1336	0	0
Dec	1383	1371	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	66.80	66.70	67.70	66.25
May	70.30	69.65	70.75	69.65
Jul	73.30	72.70	73.55	72.40
Sep	75.95	75.35	76.50	75.50
Dec	80.00	78.85	80.00	79.10
Mar	84.25	82.90	83.50	83.50
May	88.50	87.75	0	0
Jul	89.75	89.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.46	8.56	8.50	8.35
May	8.43	8.60	8.53	8.38
Jul	8.51	8.66	8.59	8.47
Oct	8.60	8.67	8.65	8.55
Mar	8.77	8.82	8.79	8.75
May	8.82	8.84	0	0
Jul	8.85	8.89	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	53.98	53.40	54.20	53.40
May	55.65	55.25	55.95	55.30
Jul	56.93	56.48	57.15	56.55
Oct	59.15	58.90	59.40	59.05
Dec	59.90	59.65	60.10	59.60
Mar	61.39	61.05	0	0
May	62.10	61.72	0	0
Jul	62.60	62.25	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	141.95	141.95	142.90	140.50
May	139.00	140.60	139.10	137.60
Jul	137.35	139.25	137.75	136.00
Sep	132.25	133.85	132.85	131.00
Nov	126.10	127.00	126.50	125.50
Jan	125.10	126.95	126.00	125.10
Mar	126.10	126.95	0	0
May	125.10	126.95	0	0
Jul	126.10	126.95	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb.19	Feb.18	mnth ago	yr ago
1590.5	1586.0	1593.7	1662.1

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb.18	Feb.17	mnth ago	yr ago
Spot	119.04	-	114.96	123.65
Futures	121.64	-	122.51	126.26

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	577/2	572/4	581/0	569/2
May	587/0	582/4	589/0	578/0
Jul	596/6	591/0	599/4	587/0
Aug	600/0	598/0	604/0	592/0
Sep	604/0	597/4	604/4	594/4
Nov	612/4	607/6	616/0	603/2
Jan	622/0	616/4	625/4	613/4
Mar	629/6	625/4	639/6	623/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	19.46	19.24	19.49	19.25
May	19.76	19.57	19.80	19.58
Jul	20.06	19.85	20.10	19.88
Aug	20.21	20.04	20.24	20.02
Sep	20.31	20.13	20.35	20.18
Oct	20.47	20.25	20.50	20.32
Dec	20.82	20.55	20.85	20.60
Jan	20.87	20.62	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	173.4	173.3	174.6	171.8
May	176.4	175.7	177.5	174.3
Jul	179.2	178.0	180.0	177.1
Aug	180.4	179.2	181.0	178.1
Sep	181.8	180.3	182.0	179.3
Oct	197.0	195.3	197.3	194.2
Dec	196.5	196.7	198.5	195.3
Mar	199.0	198.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	264/4	263/6	265/4	261/0
May	272/0	271/4	273/2	268/0
Jul	277/6	277/4	279/0	273/4
Sep	274/4	274/0	275/2	270/4
Dec	271/6	271/4	272/4	267/4
Mar	277/4	277/6	278/0	274/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	411/6	411/4	414/0	401/4
May	406/6	408/4	412/0	399/0
Jul	394/0	390/6	397/4	381/0
Sep	397/6	394/4	401/0	386/0
Dec	407/6	404/2	409/4	396/0
Mar	408/0	404/0	410/0	397/6

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	78.975	78.400	79.000	78.275
Apr	77.775	76.800	77.875	76.875
Jun	73.150	72.800	73.350	72.550
Aug	68.900	68.575	69.125	68.650
Oct	68.900	68.825	69.150	68.700
Dec	69.475	69.400	69.650	69.250

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	42.050	41.875	42.300	41.800
Apr	41.850	41.650	41.900	41.200
Jun	46.075	45.725	46.100	45.575
Jul	46.300	46.050	46.350	45.925
Aug	44.925	44.750	45.000	44.650
Oct	41.725	41.725	41.750	41.450
Dec	44.350	44.100	44.400	44.000

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	37.650	36.050	37.700	36.425
Mar	37.750	36.275	37.900	35.800
May	38.750	37.550	38.800	36.900
Jul	39.500	38.450	39.750	37.900
Aug	38.150	37.750	39.000	37.450
Feb	47.300	47.300	0	47.000

LONDON STOCK EXCHANGE

Falls in oil shares depress the market

By Terry Byland, UK Stock Market Editor

RENEWED selling of the leading oil and pharmaceutical stocks, triggered by worries over the outlook for Wall Street following the result of the New Hampshire primary election, turned the London stock market lower yesterday. The Footsie 2,500 mark was again abandoned as hopes of an early cut in base rates melted away and investors turned their attention to the international scene.

Equities opened lower after the Tokyo market had fallen back to the year's low and sterling's weaker performance against the D-Mark had cast doubts on the hopes for a base rate cut which had sustained the UK stock market earlier in the week.

Stock index futures were firm in early trading but could not offset the heavy falls in such equity leaders as BP, SmithKline Beecham, Wellcome and Glaxo. The stock market was soon showing a fall of around 15 points on the FT-SE scale. An attempted rally died away as London grew increasingly nervous ahead of the opening of the new session on Wall Street. News of a 0.4 per cent rise in domestic retail sales in January had no effect on the stock market.

Account Dealing Dates		
*First Dealings: Feb	Feb 24	Mar 9
Option Declarations: Feb	Mar 5	Mar 19
Last Dealings: Feb	Mar 6	Mar 20
Account Day: Mar 2	Mar 16	Mar 30

*New time dealings may take place from 8.30am two business days earlier.

Wall Street lost ground in early deals, and London extended its losses to around 25 Footsie points, but then rallied when the Dow turned higher for a gain of 4 points in UK hours.

At the close, the FT-SE Index was down 19.2 at 2,536.7. UK traders sounded apprehensive, in spite of the relatively steady performance in the early part of the New York session. There was little recovery in the heavyweight oil and drug stocks. Indeed, the closing minutes of trading were overshadowed by hints that US investors, after supporting BP last week, had turned sellers of the blue chip oil group.

UK investors were still waiting to see Wall Street's definitive response to the New Hampshire poll as well as to the appearance of Mr Greenspan, chief of the Federal Reserve, before the House of Representatives and also the Fed's reduction in banks' reserve requirements.

Trading volume in equities in London totalled 561.3m shares yesterday, compared with 559.3m on Tuesday, when retail, or customer, business increased to £995.4m. Some stock in the Seaq leaders was sold yesterday but traders said that pressure was no more than moderate.

Outside the oil and drug sectors, the picture was less gloomy. Shares in British Aerospace advanced strongly in heavy trading after announcing a loss for the year which was not far from the market's predictions.

ICI, with the trading report now only a week away, moved ahead in good turnover, and there were scattered gains elsewhere in the Footsie list.

However, Drayton Consolidated Trust fell sharply after disclosing that a substantial loss was likely in view of the appointment of receivers at Alma Holdings, an unquoted company in which Drayton had invested. Invesco, which manages Drayton, lost a few pence on the news.

The less certain tone of the market yesterday inspired some profit-taking in those stocks which had led the market ahead in the two previous sessions. Some store shares gave ground, although the market appeared to have no agreed view on the latest retail sales data.

FINANCIAL TIMES STOCK INDICES

	Feb 19	Feb 18	Feb 17	Feb 14	Feb 13	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	88.29	88.47	88.26	88.06	88.41	85.78	88.47 (18/2/92)	82.17 (2/1/91)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	101.56	101.52	101.23	101.03	101.17	94.14	101.56 (19/2/92)	90.59 (2/1/91)	106.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1975.3	1983.7	1970.6	1950.9	1957.4	1828.2	2109.3 (2/9/91)	1608.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	135.8	135.9	139.0	141.1	146.2	131.7	222.8 (11/7/91)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2536.7	2555.9	2541.0	2513.9	2522.6	2296.6	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1172.55	1178.75	1170.10	1162.69	1168.11	1066.03	1198.60 (3/9/91)	938.62 (16/1/91)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.62	4.60	4.63	4.68	4.66	5.26				
●Earning Yld %(full)	6.67	6.64	6.68	6.96	6.94	10.95				
●P/E Ratio(Net)(☆)	18.77	18.87	18.74	18.03	18.07	11.04				
SEAQ Bargns 4.45pm	31,884	33,560	29,887	30,114	28,451	28,731				
Equity Turnover(£m)†	-	995.40	832.60	1167.2	1019.9	910.20				
Equity Bargains†	-	34,008	29,851	30,155	28,201	29,059				
Shares Traded (ml)†	-	484.6	389.1	499.5	441.0	444.2				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 17.68

Ordinary Share Index, Hourly changes — Day's High 1983.7 — Day's Low 1970.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1973.7	1983.4	1981.9	1980.5	1977.5	1973.8	1976.0	1972.1	1973.8

FT-SE 100, Hourly changes — Day's High 2554.1 — Day's Low 2530.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2545.0	2553.2	2549.4	2545.4	2541.6	2535.1	2538.5	2533.1	2535.6

FT-SE Eurotrack 200, Hourly changes — Day's High 1177.86 — Day's Low 1171.24

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1177.86	1177.31	1176.45	1175.20	1173.15	1173.56	1172.40

GILT EDGED ACTIVITY

Indices*	Feb 18	Feb 17
Gilt Edged Bargains	93.9	103.2
5 – Day average	86.9	85.4

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel 0891 123001 Calls charged at 36p/minute cheap rate, 48p/minute at all other times

Further selling hits BP

RELENTLESS selling by UK and international institutions drove BP down to its lowest level since January 1989. One fund was believed to have unloaded a large line of stock late yesterday. BP suffered renewed selling on bearish stories regarding its Cusiana oil discovery in Colombia. Cusiana, one of BP's biggest drilling successes of recent years, has generated considerable excitement among investors, and prompted strong US demand for the stock last week.

Strauss Turnbull, the securities house, said yesterday, however, that it expected the latest drilling news from Cusiana to be "disappointing in size and structure; it means more expensive drilling".

Further disappointing news has come with a series of boardroom changes. The market is particularly concerned at the loss of Mr James Ross, chief executive at BP America, who is moving to Cable and Wireless. Already badly weakened by last week's disastrous preliminary figures, the shares have been hurt further by the Opec agreement to reduce output by 1.4m barrels a day. At the close BP was 14 lower at 251p, with the Seaq ticker revealing blocks of 9m and 1m shares traded at 249p.

BA outperforms

British Aerospace (BAe) stood out as the day's best FT-SE performer. The market greeted the group's figures and a maintained dividend with relief.

The shares started rising early in the session as some dealers carried out bear closing but powered ahead after examination of the figures, gaining 30 to 303p by the close. Turnover soared to 18m shares, the highest daily total for more than three years. Smith New Court was a sizeable buyer, while UBS Phillips & Drew was reported to have been among the day's big sellers. Dealers said a large amount of the buying was for the dividend, which is due on Monday.

Analysts differ on the outlook for the company. Mr Peter Deighton at Smith raised his current year forecast by £30m to £250m. He said: "We are pleased that there are no surprises in the figures and the cashflow position was better than we anticipated."

Mr Paul Compton at UBS remained sceptical. He said: "This is still a risky stock. Defence profits will come under pressure in coming years and Rover will not grow to counteract this." He predicted a dividend cut this year.

News of UK government defence orders also helped sentiment.

ICI firm

A positive note on ICI, published by a leading securities house, ensured that the shares were firm in a dull market. The stock, up 14 at one stage, closed 11 ahead at 1301p in spite of the belief that ICI's full-year results, due next Thursday, will show reduced profits.

Hoare Govett reinforced its existing buy stance on ICI and disclosed a profits forecast of £1.4bn for 1993. Mr Martin Evans, the broker's chemicals analyst, argued that a combination of cost-cutting and cyclical recovery would result in earnings growth of around 33 per cent next year that would leave the shares on a highly attractive discount rating of 10 per cent to the market for 1993.

Institutions continued to sell their holdings in the Electricity Package to marketmakers, who split them into individual stock holdings. Liquidity in the Package is expected to shrink rapidly ahead of the cessation of trading in the issue, expected in the summer.

Funds were said to have sold the Package at £2760 and reinvested some of the proceeds in a handful of the individual stocks. These included London Electricity, where turnover jumped to 4.6m and whose shares firmed 3 to 278p, and Yorkshire, where 3.3m were traded but the shares settled a shade easier at 313p.

A block of 5.4m TSB (3 higher at 125p) traded late in the session at 125¼p boosting turnover to 12m.

Shell Transport, affected by extreme nervousness over today's fourth-quarter figures and worries about the dividend, weakened 13 to a 12-month low of 455p on high turnover of 5.7m shares. Mr Keith Morris, oil specialist at Carr Kitcat & Aitken, was cautious on the dividend payment, and said he expected a final of 11.6p, against most estimates of 12.2p, pointing to Shell's traditional conservatism during difficult times.

Second line oils were again in disarray, shaken by actual and expected earnings and asset valuation downgrades said to have been carried out by a number of broking houses. Enterprise dropped 13 to 392p, its lowest level since June 1988, and Lasmo retreated 9 to 197p, its lowest point since March that year. Clyde slipped 4 to 58p and Hardy Oil & Gas 11 to 108p. Most closed off the bottom, however, responding to a positive note issued by Hoare Govett, which said most of the stocks, except for Enterprise, were still trading at a discount to asset value, even with crude oil at $18 a barrel.

Pharmaceuticals were weak yesterday, reflecting falls in US pharmaceutical stocks overnight. Merck fell $2¼, and Glaxo, which tends to track Merck, and which announces its half-year results today, failed to respond to good news in the UK on asthma drugs and lost 22 to 826p. The performance of Glaxo shares was also affected by expectation of a negative report today from the authoritative New England Journal of Medicine. The report, part of a long-running debate, is expected to be critical of some forms of asthma drugs.

SmithKline Beecham dropped 26 to 924½p in the "A" shares and 107 to 4153p in the units. The company announced that the American Academy of Pediatrics was recommending immunisation for teenagers and infants against hepatitis B. The vaccination is produced by SmithKline and Merck, but the news broke after the market closed and failed to help the SmithKline share price.

Profit-taking caused Wellcome to slide 29 to 1113p, while Fisons weakened 11 to 373p.

Kingfisher, parent of DIY company B & Q, was the star of a mixed stores sector. The shares advanced 8 to 531p following recommendations from UBS Phillips & Drew and Warburg Securities.

In an internal buy note, issued before yesterday's retail sales figures, UBS said Kingfisher is reasonably geared into a consumer recovery. Warburg is positive about the DIY division and suggests that the company is at a 13 per cent price to earnings discount within the sector.

W.H. Smith "A" put on 5 to 462p and Boots 2 to 465p, but Marks and Spencer lost 6 to 318p, Sears a penny to 105p and Ratners 1¾ to 18½p. January retail sales were better than expected, but this was entirely the result of higher food sales, as clothing and footwear and sales of household goods fell. Analysts were reluctant to read too much into the data, suggesting stores are likely to benefit on expectations of a generous UK Budget in the run-up to a general election.

Holiday group Owners Abroad reported a doubling of profits, triggering a revision in analysts' estimates for the coming year. The shares, however, dipped 3 to 117p, mainly on profit-taking, although there was disappointment that the dividend was increased by only 10 per cent. Most analysts are now looking for £36m to £38.5m this year and around £43m next, with the shares remaining on most brokers' buy lists. "Bookings are well ahead, costs are being kept down and margins are not under pressure," said Mr Peter Hilliar at BZW. "We think the stock is undervalued."

Sentiment in BAe supported Rolls-Royce, which firmed a penny to 137p on turnover of 4.8m. US buying was noted in British Airways, which moved up 4 to 259p.

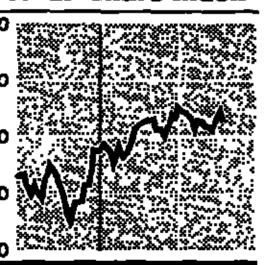
Central Television continued to strengthen, with no one prepared to sell the stock and speculation growing that a share split is on the cards. The shares added 25 at 1308p.

Saatchi & Saatchi, steady at 15p, was the most heavily traded stock in the London market with more than 41m shares changing hands.

MARKET REPORTERS:
Christopher Price,
Peter John, Colin Millham,
Joel Kibazo, Steve Thompson.

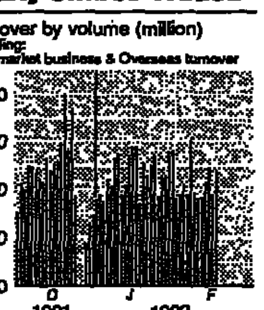
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 19.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (76).
OTHER FIXED INTEREST (1) LCC 3pc '20 Aft., AMERICANS (8) Chase Manhattan, Chrysler, Echlin, Ingersoll-Rand, Lowe's, Whirlpool, BANKS (2) HSBC, Standard Chartered, BREWERS & DISTILLERS (3) Holt (J), Young (A), Do. A, BUILDING MATERIALS (7) Epwin, Haywood Williams, Do. Prf., Kalon St. Gobain, Thon, Wolseley, CHEMICALS (3) Allied Colloids, MTM, CONGLOMERATES (1) Sime Darby, CONTRACTING & CONSTRUCTION (2) Boot (H), Maunders (J), ELECTRICALS (1) Motorola, ELECTRONICS (4) Eurotherm, Hewlett-Packard, Macro 4, MTL Instrs., ENGINEERING GENERAL (5) Bullough, Polymark, Dc Pfg. Prid., Powerscreen, Rotork, FOOD MANUFACTURING (2) Unilever, Wassenn, HEALTH & HOUSEHOLD (4) AAH, Amersham, Community Hospitals, Takare, HOTELS & LEISURE (6) Boosey & Hawkes, Granada, Do. 7.5p Prf., Owners Abroad, Do. 75p Prf., Tanjong, INSURANCE (COMPOSITE) (1) Aon, INVESTMENT TRUSTS (6) Beta Glob Emrg. Mkts., India Fund, Sth. East Asi Fd. Wrrnts., Manakin, Templeton Erg. Mkts., MEDIA (3) Central ITV, HeadlinBook, News Corp., MERCHANT BANKS (1) Sroders N/V, MISCELLANEOUS (1) Alumasc, MOTORS (1) Devenport Vernon, OIL & GAS (1) NZ Oil, OTHER FINANCIAL (3) Secure Tt, Spanish Smllr. Co's., Do. Wrrnts., OTHER INDUSTRIAL MATERIALS (3) Tomkins, Do. 5.6pc Prf., Do. 6¼pc Prf., PACKAGING PAPER & PRINTING (3) Brit. Polythene, De La Rue, Microfilm Reprographics, PROPERTY (1) New Cavendish, STORES (3) Boots, GUS A, Oriflame, TEXTILES (1) Claremont Garments, TRANSPORT (3) Brit. Airways Cap. 9¾pc Cv., Cathay Pacific, TNT.

NEW LOWS (52).
BREWERS & DISTILLERS (1) Macallan-Glenlivet, BUILDING MATERIALS (1) Ward Group, CONGLOMERATES (1) Gieves, CONTRACTING & CONSTRUCTION (1) Sindall (Wm), ELECTRICALS (1) Fujitsu, ELECTRONICS (5) Acorn Computer, Gresham Telecomputing, Harland Simon, Kewill Systems, Radius, ENGINEERING AEROSPACE (2) ML, Westland, ENGINEERING GENERAL (1) WB Inds., HEALTH & HOUSEHOLD (1) Hospital Corp., INSURANCE COMPOSITE (2) Baltica, Hafnia, INVESTMENT TRUSTS (9) Drayton Cons., Drayton Eng. & Intl., Electra Fimg. High Inc., Gartmore Scot. Cap., Malaysian Emrg. Wrrnts., Morgan Grenfell Equity Inc., Nth. Amer. Gas. River & Merc. Cap., MEDIA (2) MMI, Osprey Comms., MISCELLANEOUS (1) Porth, OIL & GAS (13) Blystad, Bow Valley, Brit. Borneo, BP, Cairn Energy, Calor, Clyde Petrlm., Enterprise Oil, Hardy Oil, LASMO, Pict Petrlm., Tuskar Res., Ultramar, OTHER FINANCIAL (1) Lon. Finance, PACKAGING, PAPER & PRINTING (2) Delyn, NMC, PROPERTY (2) Britannia, Chesterfield, STORES (1) Colorvision, MINES (5) Free State Dev., Kinross, Loraine, St. Helena, Vlakfontein.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	58	420	-8	Cookson	838	114	-1	Lucas	910	117		Shell Transport	5,700	455	-13
ASDA Group	9,000	37½	+½	Courtaulds	724	533	+3	MB Caradon	863	265	+1	Siebe	172	562	+1
Abbey National	2,500	282	+2	Dalgety	255	376		MEPC	339	365	-2	Slough Ests	450	213	-2
Albert Fisher	3,200	67		De La Rue	240	568	+10	Manweb	98	322	-4	Smith (W H) A	606	462	+5
Allied-Lyons	1,800	532½	+½	Dixons	1,400	249½	-½	Marks & Spencer	5,100	318	-6	Smith & Nephew	7,000	149½	-1½
Amstrad	610	27½	-½	ECC Group	372	510	-2	Midland Bank	4,900	233	+1	SmKl Beecham	1,500	924½	-26
Anglian Water	710	372	+1	Eastern Elect	3,400	250	-2	Midlands Elect	1,600	275	-4	SmKl Beecham Uts	373	4153	-107
Argos	1,200	294	+1	East Midland Elect	2,000	258	-2	NFC	1,700	244	+3	Smiths Inds	357	365	-2
Argyll Group	2,400	312	-2	Enterprise Oil	910	392	-13	NatWest Bank	3,500	299	-1	Southern Elect	2,300	275	-4
Arjo Wiggins	6,200	239	+1	Eurotunnel Units	75	451	-4	National Power	1,500	215	-1	South Wales Elect	681	300	-3
Ass. Brit. Foods	124	442	-8	FKI	322	58½	+½	Next	1,000	68½		South West Water	360	358	+2
BAA	585	673	-1	Ferranti	1,100	6	-¼	North West Water	627	380	+3	South West. Elect	981	286	-2
BAT Inds	2,300	857	-1	Fisons	2,300	373	-11	Northern Elect	1,100	272	-4	Southern Water	187	348	+2
BET	1,200	157½	-1½	Forte	2,400	229	+1	Northern Foods	273	578	-1	Standard Chartd	1,700	438	+7
BICC	1,100	322	-2	Gen. Accident	889	428	+2	Norweb	973	304	-3	Storehouse	556	108	-1
BOC	659	644	-4	General Elect	2,300	203	-1½	Pearson	608	781	+7	Sun Alliance	1,000	274	
BPB Inds	1,100	158		Glaxo	2,800	826	-22	P & O	390	392		T&N	1,400	116	+4
BTR	2,900	412	-2	Glynwed Int	3,600	308	-3	Pilkington	464	130		TI Group	184	602	+3
Bank of Scotland	4,800	114	+2	Granada	3,200	238	+6	PowerGen	1,600	225	-1	TSB	12,000	125	+3
Barclays	1,300	383	+3	Grand Met	841	951	-1	Prudential	3,800	232	+1	Tarmac	2,900	118	-4
Bass	1,800	954	-2	GUS A	640	1530	-8	RHM	709	275	-1	Tate & Lyle	2,700	420	+3
Berisford Int	1,100	25	+1	GRE	1,100	120	-1	RMC	53	587	-4	Taylor Woodrow	283	113	-2
Blue Circle	1,500	261	+2	GKN	331	336	+2	RTZ	1,500	535	-1	Tesco	2,400	248	+½
Booker	340	452	-3	Guinness	1,500	578½	-2½	Racal	8,200	54½	+½	Thames Water	1,400	382	+1
Boots	881	465	+2	Hammerson 'A'	59	440		Rank Org	931	700	-10	Thorn EMI	399	813	+5
Bowater	69	744	-1	Hanson	7,200	210½		Reckitt & Colman	272	666	-1	Tomkins	887	454	+4
Brit. Aerospace	18,000	303	+30	Hanson Warrants	1,000	30		Redland	1,800	470	-3	Trafalgar House	691	142	
British Airways	4,400	259	+4	Harrisons Crosfield	233	112	-1	Reed Intl	506	530	+1	Ultramar	15	328	-10
British Gas	8,200	250	-2	Hillsdown	1,300	152		Rentokil	50	397		Unigate	1,100	295	+2
British Land	588	348		IMI	183	244	-1½	Reuters	687	1137	-19	Unilever	1,000	942	+7
BP	32,000	251	-14	ICI	1,000	1301	+11	Rolls Royce	4,800	137	+1	United Biscuits	339	407	
British Steel	8,100	73	-2	Inchcape	1,700	450	-1	Rothmans	572	1058	+8	Utd. Newspapers	397	388	+8
British Telecom	2,800	332½	-1½	Kingfisher	1,400	531	+8	Ryl Bk Scotland	1,500	167	-1	Vodafone	649	347	-3
Br Telecom New	5,000	121¼	-1½	Kwik Save	896	558	-3	Royal Insurance	415	227	-5	Warburg (SG)	100	580	
Bunzl	1,400	81½	-½	Ladbroke	4,000	231		Saatchi	41,000	15		Wellcome	827	1113	-29
Burmah Castrol	794	506	+5	Land Securities	350	457	-2	Sainsbury	681	388	-1	Welsh Water	450	389	
Burton	6,200	35½		Laporte	70	599	-2	Scottish & New	855	441	-1	Wessex Water	187	415	
Cable & Wire	1,300	597	+12	Legal & General	1,000	363	+3	Scot. Hydro-Elect	2,300	100½	-2½	Whitbread A	1,300	451	+4
Cadbury Schweppes	1,200	498	+2	Lloyds Abbey	3,000	379	-11	Scottish Power	5,900	102	-1½	Williams Hldgs	1,200	322	+3
Calor Group	14	193		Lloyds Bank	5,100	398	-7	Sears	5,000	105	-1	Willis Corroon	503	251	-1
Carlton Comms	330	547		LASMO	2,400	197	-9	Sedgwick	301	218		Wimpey	2,300	117	-2
Coats Viyella	1,300	181½	-1½	London Elect	4,600	278	+3	Seeboard	422	272	-6	Yorkshire Elect	3,300	313	-1
Comm. Union	512	448	-3	Lonrho	1,700	137	-2	Severn Trent Water	926	350	+1	Yorkshire Water	121	387	+1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

MARCH stock index futures slipped back in volatile trading as the market sought some direction on the back of a weak Wall Street, writes Christopher Price.

With the New York equities market off 20 points overnight, the FT-SE futures opened weak, but in a busy initial trading period March reached its high point of the day at 2,576 by 9am.

However, the appearance of a number of sellers saw March begin to drift away in mid-morning trading.

Wall Street's opening in the early afternoon failed to give any direction and March retreated to 2,544, the low point of the day, and around its fair value premium to cash.

This proved to be a rallying point and the index eventually closed at 2,550, down 28 on the previous session and some 5 points above its estimated fair value premium to cash of about 10. Turnover reached 5,925 contracts.

In the traded options market, the stock option expiry day boosted the volume in a number of stocks, including the leading three lots traded: Hanson (4,212), Thames (3,178) and Cadbury (2,910).

The day's total turnover was a healthy 40,234, with the FT-SE 100 reaching 6,435 lots traded.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
Treas 9½pc 1999‡‡		101¾	-⅛	101¾	92¾	9.39	9.25
Exch 12¼pc 1999		113⅞xd	-⅛	113¾	105¾	10.76	9.52
Treas 10½pc 1999		105⅝	-⅛	105¾	97⅛	9.94	9.40
Conversion 10¼pc 1999		104⅛	-⅛	104⅝	95¾	9.88	9.40
9pc 2000‡‡		98⅝xd	-⅛	98⅞	89⅞	9.13	9.23
Treas 13pc 2000		119¼	-⅛	119½	110½	10.90	9.59
10pc 2001		103⅝xd	-⅛	104⅛	94⅞	9.65	9.35
[illegible]							
Over Fifteen Years							
[illegible]							
Undated							
Consols 4pc		42⅛	-⅛	42¼	37¼	9.51	-
War Loan 3½pc‡‡		37⅜	-⅛	38	33⅝	9.26	-
Conv 3½pc '61 Aft		61⅛	-⅛	61⅝	57¼	5.73	-
Treas 3pc '66 Aft		31⅛	-⅛	31¾	28¼	9.58	-
Consols 2½pc		26⅛	-⅛	26⅝	23⅞	9.40	-
Treas. 2½pc		26⅛	-⅛	26½	23⅜	9.50	-

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
Index-Linked	(b)					(1)	(2)
Treas. 2pc '94	(102.9)	124¼	-⅛	124¾	115⅜	2.18	3.32
2pc '96	(67.9)	168⅞xd	-⅛	168½	158¾	3.07	3.69
2½pc '01	(78.3)	146⅛xd	-⅜	148¾	137⅜	3.82	4.15
2½pc '03	(78.8)	141¾	-¼	142⅜	133	3.94	4.22
2pc '06	(69.5)	143⅝xd	-⅝	144	135	4.07	4.29
[illegible]							

OTHER FIXED INTEREST

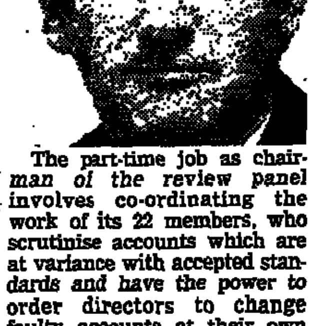
	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
[illegible]							
Liverpool 3½pc Irred		30¼	+¼	31	28	11.67	-
LCC 3pc '20 Aft		28	+½	28	26	11.11	-
Manchester 11½pc 2007		107¼	+¼	107¼	97½	11.27	10.53
Met. Wtr. 3pc 'B'		55		56¼	52	5.77	9.78
[illegible]							
Utd Mex States 16½pc 2008		129xd		129½	107	13.33	12.82

APPOINTMENTS

Glasgow smiles on part-time job

Edwin Glasgow QC has been appointed chairman of the financial reporting review panel, the new watchdog of accounting standards, in place of Simon Tuckey QC who has just become a high court judge.

Glasgow, 46, was called to the bar in 1969 and took silk in 1987; he is known for tough but courteous cross-examination. His broad-based practice, covering common law and commercial litigation, has brought him into the public eye. He acted on behalf of the football clubs in the public inquiries after both the Bradford fire in 1986 and the Hillsborough disaster in 1989; he also represented Ernest Saunders in the DTI inquiry into the Guinness affair in 1987, and is currently acting on behalf of the Chief Constable of Surrey in the Guildford Four inquiry.



The part-time job as chairman of the review panel involves co-ordinating the work of its 22 members, who scrutinise accounts which are at variance with accepted standards and have the power to order directors to change faulty accounts at their own expense.

The panel has recently made its presence felt by making comments on the accounting policies of four British companies – Ultramar, Williams Holdings, Shield Group and Forte – and writing to 240 more which have made minor reporting errors.

Glasgow says that he is expecting a "very busy first year and will give up as much time as necessary to ensure the job is done thoroughly. In appropriate cases, a firm but fair line will be taken."

He may have developed a passion for accounting during actions for and against a number of large accountancy firms. But he must hope that earlier earnings will tide him over; his time on the panel will only provide an honorarium believed to be a few thousand pounds a year.

■ Michael Redmond is appointed md, marketing operations of Fisons' pharmaceutical division; Brian Tempest takes his place as regional director Europe.

■ T&N has promoted Alister McWilliam, currently md of AE Piston Products, to be group chief executive, Piston Products; from July 1 he will be responsible for T&N's worldwide piston activities.

■ J LYONS has appointed Jan Timmer md of Hoolmeijer BV.

■ Chuck Pieper has been appointed president and ceo for GE LIGHTING Europe; he was formerly ceo of GE Medical systems-Asia.

■ Michael Harris, chief executive of Mercury Communications, is appointed a director of CABLE & WIRELESS.

■ David Franklin has been promoted to md UK and Scandinavia of MASSEY FERGUSON.

■ Mike Wilkinson has been appointed group personnel director of UNITED BISCUITS. He started his career with UB as a graduate trainee in 1975.

■ BTR has promoted Malcolm Langley to be group md of DCE Group in place of Dick Dodson who is to become group md of Dunlop Slazenger International in South Carolina. Longley's place as md of DCE Ltd is taken by Roger Berkeley, formerly group finance director.

■ Neil Murray has been promoted to financial director of the PG Group, a subsidiary of Ellis & Everard Pool & Leisure International.

Linread succession

Peter Harrisson has been appointed group managing director of Linread, the Birmingham-based nuts and bolts manufacturer, following a boardroom upheaval which has seen two senior departures in the past fortnight.

Mike Hughes, the chief executive and Orrie Mead, the former finance director, left following serious problems in Linread's commercial products division. One of the three plants has been closed and the workforce has been cut by 45 per cent to 260; the company's 1991 results will show a loss.

Harrisson, 46, joins Linread after 11 years with Davy Corporation, where he was chief executive of the mechanical handling division. Like Mike Hughes, who was brought in to revitalise a then loss-making Linread in 1983, Harrisson also spent part of his early career with BTR.

After six years which saw profits improve, Linread's recovery came to an abrupt halt last year after faults were identified in the financial reporting system; Linread's 1990 annual report notes that Hughes took direct responsibility for the day-to-day operations. Orrie Mead stepped down from the Linread board last June and was put in charge of the commercial products division. He was replaced as finance director by Pieter Hazenberg. Peter Anderson, a managing director of Newman Tonks engineering, takes over as managing director of commercial products division next week, but is not going on the Linread board.

LEGAL NOTICES

RE: FARID AGAIBY GIRGIS DECEASED
Pursuant to the Trustee Act, 1925 (as amended)

NOTICE IS HEREBY GIVEN that any person having a claim against or an interest in the Estate of Farid Agaiby Girgis late of 12 Doctor Ibrahim Nagy Street, El Sahel, Cairo, Egypt who died on the 21st day of June 1989, and administration to whose Estate was granted on the 11th day of December 1991, is required to send written particulars to the undersigned Rayner De Wolfe, 31 Southampton Row, London, WC1B 5HJ, England by the 21st day of April 1992, after which date the administrator will distribute the Estate of the Deceased among the persons entitled thereto having regard only to the claims and interests of which he shall then have had notice, and will not, as respects the property so distributed, be liable to any person of whose claim or interest he shall not then have had notice.
Dated this 13th day of February 1992
RAYNER DE WOLFE
Solicitors for the said Administrator

MEETING OF CREDITORS
Pursuant to Sections 98, 99, 100 and 101 of The Insolvency Act 1986
DIRECT INPUT LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 98 of The Insolvency Act 1986, that a meeting of the creditors of the above-named Company will be held at The Palace Hotel, 31 Great Cumberland Place, Marble Arch, London W1, on 3rd March 1992 at 12.00 noon for the purposes provided for in Section 98 et seq.

A list of names and addresses of the above Company's Creditors can be inspected at the offices of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, between the hours of 10.00 am and 4.00 pm on the two business days preceding the Meeting of Creditors.
Dated this 14th February 1992
Maxwell Jason Sherwood, Director

IN THE MATTER OF J H SANKEY & SON LTD AND IN THE MATTER OF THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter S. Dunn FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, was appointed Liquidator of the above Company by the Creditors on 12th February 1992.
Dated this 12th February 1992
Peter S. Dunn FCA, Liquidator
Latham Crossley & Davis
45 Conduit Street, London W1R 9FB

COMPANY NOTICES

NORDBANKEN
(Incorporated in the Kingdom of Sweden)
U.S. $50,000,000
Floating Rate Notes due 1995
set against Swiss Franc LIBOR

In accordance with the terms and conditions of the Notes, the interest rate for the period 21st February, 1992 to 21st August, 1992 has been fixed at 8.20313% per annum.

The interest payable on 21st August, 1992 against Coupon No 2 will be U.S. $41.471379 per U.S. $1,000 nominal amount.

Fiscal Agent
ROYAL BANK OF CANADA

ART GALLERIES

MARLBOROUGH 6 Albemarle Street, London W1. CHRISTOPHER BRAMHAM 29 January - 29 February 1992. Mon-Fri 10-5.30 Sat 10-12.30. Tel: 071-629 5161.

Correction Notice

U.S. $300,000,000

Canadian Imperial Bank of Commerce
(A Canadian Chartered Bank)

Floating Rate Debenture Notes due 2084

Notice is hereby given that for the six months interest period from January 30, 1992 to July 30, 1992 the Debenture Notes will carry an interest rate of 4.5625% per annum. The interest payable on the relevant interest payment date, July 30, 1992 against Coupon No. 14 will be U.S. $230.66 and U.S. $5,766.50 respectively for Debenture Notes in denominations of U.S. $10,000 and U.S. $250,000.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

CHASE

January 30, 1992

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1991/92 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs		35¼xd	−$\frac{3}{32}$	38⅝	20⅞	15,380	1.6
♥Allegheny & W		321p	+4	385p	218p	166.8	5.3
Amdahl		1035pxd	−33	1071p	687p	1,146	0.5
Amer Cyanamid		34½	+¼	42¼	25⅜	3,217	2.4
Amer Express		12$\frac{7}{16}$xd	+$\frac{3}{32}$	17⅞	9$\frac{11}{16}$	6,783	4.7
Amer T & T		21½xd	−⅛	24½	16¼	28,883	3.5
Ameritech		34⅞	−⅛	38⅞	32½	18,288	5.5
BankAmerica		23xd	+$\frac{7}{16}$	28$\frac{3}{16}$	12$\frac{7}{16}$	6,808	3.2
Bankers NY		35¼xd	+½	38$\frac{3}{16}$	20$\frac{1}{16}$	2,898	7.8
Bell Atlantic		25¾xd	+⅜	30½	24¼	9,979	5.6
BellSouth		26⅞	−¼	31¼	25	13,035	5.8
♥Bethlehem Steel		8½xd	+⅛	11¼	6$\frac{3}{16}$	647.9	—
Bowater		1375p	+2	1630p	1042p	493.9	4.9
CPC		46xd	+⅛	54$\frac{11}{16}$	37$\frac{11}{16}$	3,477	2.7
California Engy		691p	+22	930p	420p	125.8	—
Campbell Soup	h	21$\frac{7}{16}$	−$\frac{7}{16}$	25	14⅛	6,380	1.6
Chase Manhattan		13⅝xd	+¼	13⅝	5$\frac{5}{16}$	1,802	5.0
Chrysler		9¼xd	+⅛	9¼	5⅛	2,852	3.7
Citicorp		9$\frac{7}{16}$xd	+½	10⅞	4⅝	3,241	—
Colgate-Palm		26$\frac{7}{16}$xd	+$\frac{3}{16}$	27⅝	21$\frac{3}{16}$	3,844	2.3
Cont'l Bank		655p	+38	828p	438p	664.0	5.3
Dana		19¾xd	−$\frac{7}{16}$	21⅝	13⅝	811.6	4.6
Data General		670p	+36	1282p	203p	184.8	—
Dial		27⅞xd	—	27$\frac{15}{16}$	12⅞	1,106	2.8
Dun & Brad		31½	—	31⅝	20¾	3,621	3.9
Eaton		39⅝	+⅜	40	24¼	1,349	3.1
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING AEROSPACE

ENGINEERING GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

METALS & METAL FORMING

OIL & GAS - Cont.

PACKAGING, PAPER & PRINTING - Cont.

STORES - Cont.

MINES - Cont.

TELEPHONE NETWORKS

MISCELLANEOUS

PROPERTY

TEXTILES

OTHER FINANCIAL

TRANSPORT

MEDIA

WATER

OTHER INDUSTRIAL MATERIALS

MOTORS

SOUTH AFRICANS

PLANTATIONS

STORES

MINES

PACKAGING, PAPER & PRINTING

MERCHANT BANKS

OIL & GAS

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column only as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	119.8	119.8	127.0	-0.2	8.15
High Inc Equity	6	124.3	127.2xd	135.3	+0.1	6.28
Worldwide Bond	6	218.4	218.4xd	231.5	-0.2	6.15
Capital Growth						
American Growth	6	210.5	210.5	225.1	-3.3	.96
Asian Pacific	6	136.9	139.8	148.7	-0.2	1.28
Assets & Earnings	6	181.7	181.7xd	194.3	+0.1	3.22
Capital Reserve Acc	0	112.9	112.9	112.9	+0.1	7.44
Capital Reserve Inc	0	89.24	89.24	89.28	+0.05	7.44
Cmdty & Energy	6	69.27	69.27	74.08	+0.06	1.39
1992 Enterprise	6	66.69	66.69	71.32	+0.15	2.99
Euro Capital Acc	6	88.96	88.96	95.14	+0.20	1.09
Euro Capital Inc	6	84.99	84.99	90.89	+0.19	1.10
General	6	167.7	167.7	179.3	+0.5	3.23
Japan	6	85.81	85.81xd	91.77	-1.29	–
Mastertrust	6	89.53	89.53	95.75	-0.27	2.49
UK Growth Acc	6	167.3	174.9	186.0	–	2.44
UK Growth Dist	6	106.3	111.2xd	118.2	–	2.49
US Emerging Cos	6	86.59	88.30	91.93	-1.38	–
Income & Growth	6	292.7	292.7xd	313.0	+0.9	4.47
Ethical	6	53.30	54.68	58.16	+0.09	2.92
International	6	62.36	63.30	67.34	-0.27	1.22
Dividend & Growth	6	46.18	47.26	50.27	+0.06	5.97
Global Gwth & Sec	6	53.11	53.41	56.81	-1.05	2.75

Aberforth Unit Trust Managers Ltd (1600)F
16 Chester St, Edinburgh EH3 7RA 031 220 0733

UK Small Cos	0	1095.0	1095.0	1156.0		–

Abtrust Unit Trust Managers Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

Amer Inc & Growth	5¼	31.38	31.38	33.22	-0.41	2.39
Cash	0	50.82	50.82	50.82	+0.01	9.90
European	5¼	69.84	69.84xd	74.11	-0.02	0.31
European Income	5¼	71.46	71.76xd	75.71	-0.01	1.62
Exempt	1	802.1	802.1xd	831.0	-4.2	4.91
Extra Income	5¼	36.50	36.50	39.64	-0.08	6.24
Far East Emerg Econs	5¼	54.68	54.68	58.62	-0.09	1.09
Fund Inv Tst	5	109.8	113.4	121.1	-0.4	1.41
Fund Inv Tst Acc	5	179.3	185.3	197.8	-0.6	1.38

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	77.60	78.94	84.43	+0.71	3.00
Do (Accum)	6	83.11	84.54	90.42	+0.76	3.00
Service Cos	6	65.36	65.36	69.91	+0.07	2.26
Do (Accum)	6	69.42	69.42	74.24	+0.07	2.26
Income Growth	6	39.84	39.84	42.61	-0.07	5.70
Do (Accum)	6	57.37	57.37	61.35	-0.11	5.70
Higher Yield	6	31.44	31.44	33.62	-0.02	4.90
Do (Accum)	6	40.99	40.99	43.84	-0.02	4.90
American Gth Inc	6	40.67	40.67xd	43.50	-0.07	0.63
Do (Accum)	6	41.49	41.49	44.37	-0.08	0.63
European Growth	6	25.39	25.39	27.15	+0.12	1.74
Do (Accum)	6	26.10	26.10	27.91	+0.13	1.74
Global Bond Inc	6	23.69	23.71	25.36	–	6.48
Do (Accum)	6	28.06	28.14	30.10	–	6.48
Managed P'folio Inc	6	26.68	26.77	28.63	+0.05	0.22
(Do Accum)	6	26.68	26.77	28.63	+0.05	0.22

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262

Mngd P'folio Inc	6	78.48	78.48xd	83.58	+0.23	2.49
Mngd P'folio Acc	6	146.2	146.2	156.7	+0.40	–
UK General	6	118.5	118.5	126.2	+0.40	4.02
Cons & General	6	16.68	16.68	17.76	–	10.72
European Inc	6	20.57	20.57	22.15	+0.10	0.51
European Acc	6	21.13	21.13	22.75	+0.10	–
Financial	6	91.09	91.09xd	97.01	-0.24	4.87
Foundation	6	60.74	62.22	66.26	-0.02	4.23
German	6	35.91	35.91	38.47	+0.20	0.10
Growth Inc (5-1)	5	23.57	23.60	25.13	+0.07	3.68
Growth Acc (5-1)	5	26.83	26.85	28.60	+0.08	–
High Income	6	56.37	56.61	60.47	+0.17	7.23
Income	6	92.95	92.95	99.27	-0.08	5.46
Intl Income	6	75.45	75.45xd	80.35	-0.07	6.00
Intl Growth ‡	6	29.60	29.60	31.52	-0.29	0.25
Monthly Income	6	52.53	54.50	58.04	+0.01	5.80
North American	6	88.54	89.26	95.06	-0.73	0.23
Orient ‡	6	86.34	86.34	92.91	-1.51	–
Recovery	6	29.42	29.42	31.33	-0.13	3.77
Smaller Cos Acc	6	191.9	191.9	204.4	+1.20	–
Smaller Cos Inc	6	114.0	114.0	121.4	+0.60	1.90

Bryccourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

Income Growth	1	175.6	175.6	178.8		7.33

Buckmaster Mangmt Co Ltd (1200)H
15 St Botolph Street, London EC3A 7JJ 071-247 4542

Fellowship Tst ♥	5¼	30.42	30.42	33.45	-0.22	3.28
(Accum Units) ♥	5¼	55.02	55.02	58.32	-0.24	3.28

MW Investment Managers Ltd (0659)F
46 Court St, Haddington, E. Lothian 062 082 5867

MW Joint Investors	0	1081.9	1081.9	1108.4		4.36

Maiden Unit Trust Managers Ltd (1400)F
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031 222 4242

Maiden General	0	103.9	103.9xd	107.1		5.43

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	50.55	50.55	51.06	+0.01	10.1
Capital Primmee	5¼	48.45	48.76xd	52.01	+0.10	2.99
Ethical	5¼	48.35	49.31	52.46	+0.02	4.87
European Growth	5¼	47.81	48.04	51.24	+0.24	3.1
Income	5¼	45.45	45.98	49.04	+0.04	8.02
Intl Growth	5¼	66.51	66.63	71.07	-0.27	3.00
Managed	5¼	58.39	58.73	62.64	-0.15	4.46
UK Growth	5¼	49.07	49.68xd	52.99	+0.04	5.84
Standard Chartered Equitor (1200)F						
69 Old Broad Street, EC2M 1QS 071-280 6521						
Mngd Exempt Acc	3	194.4	196.8xd	204.9	-0.4	3.06
Do Income	3	181.9	184.1xd	191.7	-0.4	3.06
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	36.47	36.47	38.75	+0.2	2.40
UK Equity Gth Acc	5¼	49.79	50.72	53.89	+0.2	1.93
UK Eq High Inc Inc	5¼	28.70	29.40	31.24	+0.2	6.33
UK Eq High Inc Acc	5¼	32.27	33.05	35.12	+0.2	6.33
UK Equity Gen Acc	5¼	46.17	46.90	49.84	+0.3	3.52
UK Equity Gen Inc	5¼	36.13	36.70	39.00	+0.2	3.52
UK Larger Cos Acc F	7¼	306.5	310.4	336.8	+1.7	4.79
UK Larger Cos Inc F	7¼	246.8	249.9	271.2	+1.4	4.79
Gilt & Fxd Int Inc	5¼	28.39	28.46	30.10	+0.1	7.21
O'seas Lrg Cos Acc F	7¼	211.7	215.2	233.6	-0.1	2.05
Nth American Acc	5¼	36.42	36.57	38.86	—	0.79
Far East Acc F	5¼	39.67	40.69	43.24	—	0.08
European Acc	5¼	34.76	36.10	38.36	+0.1	1.59
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	299.2	299.2	319.4	-1.2	0.71
(Accum Units) ♥	5	352.2	352.2	375.9	-1.4	0.71
British	5	798.1	811.1	858.1	-0.5	6.04
(Accum Units)	5	1311.3	1332.6	1409.9	-0.8	6.04
European	5	330.0	330.0	350.3	-0.1	1.43
(Accum Units)	5	357.7	357.7	379.7	-0.1	1.43
Japan	5	105.9	105.9	112.7	-0.9	-
(Accum Units)	5	106.7	106.7	113.6	-0.9	-
New Pacific	5	191.9	191.9	204.5	-1.1	1.69
(Accum Units)	5	197.1	197.1	210.0	-1.2	1.69
PEP Feb 12	5	149.2	150.9	159.6	+1.2	3.52
Mngd Equity	5	125.6	127.0	134.4	—	2.80
Mngd Equity Acc	5	133.3	134.7	142.6	—	2.80
Mngd Cash	0	96.38	96.38	96.38	+0.02	10.13
(Accum Units)	0	118.8	118.8	118.8	—	10.13
Majority Stg	1	100.39	100.39	101.39	+0.02	9.96
Majority Stg Acc	1	109.32	109.32	110.41	+0.02	9.96

	Bid Price	Offer Price	+ or -	Yield Gross
Funds in Court*				
Capital Feb 13	498.33	502.03	—	2.81
Gross Feb 13	172.26	173.64	—	11.23
High Yield Feb 13	281.42	283.69	—	7.76
* Restricted to investors under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	53.18	54.34	+0.06	3.60
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1178.0	1272.0xd	—	-
Mngd Pens (Acc)	66.0	70.4	—	-
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2680.0	—	7.00
Inc Gth Prp Jul 31	£1375.0	1460.0	—	6.90
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Feb 19	£3943.6	4114.7xd	+9.10	3.86
European Feb 19	£579.7	582.0	-0.30	1.51
American Feb 19	£364.8	368.1	+4.20	2.21
Japan Feb 19	£453.3	458.7	-8.0	1.42
Pacific Feb 5	£145.9	149.6	+2.60	1.16
W Midlands Jan 31	£132.00	147.00	—	2.48
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Jan 31	196.75	200.75	—	7.48
Equity Jan 31	888.05	895.20	—	3.77
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Feb 18	104.2xd		+0.3	10.35
(Accum Units)	631.06		+1.6	10.35
NAACIF Feb 18	40.00xd		—	9.63
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Feb 18	127.7	137.2	—	1.98
UK Small Co † Feb 18	515.9	565.3	—	3.54
Fixed Interest † Feb 18	111.3	117.1	—	8.56
US Small Co Feb 18	185.2	198.1	—	0.00
Managed Feb 18	108.6	116.3	—	3.40
Intl Bond Feb 18	121.3	128.0	—	10.02
Japan Feb 18	68.06	72.53	—	4.05
European Feb 18	90.19	96.75	—	1.76
Nth American Feb 18	126.1	135.7	—	1.38

INSURANCES

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Norwich Union Asset Management Ltd

PO Box 140, Norwich NR3 1PP 0603 622200

	Bid Price	Offer Price	+ or −	Yield Gross
NUAM Funds				
Managed Fund	73 4	77 3	−0.3	−
Stock Market Mngs Fund	72 8	76 6	−0.3	−
Equity Fund	81 2	85 5	−0.3	−
International Fund	63 7	67 0	−0.6	−
European Fund	65.2	68 6	−0.1	−
North American Fund	74 8	78 7	−0.9	−
Pacific Fund	69 8	73.5	−0.2	−
Property Fund	77.2	81.2	....	−
Fixed Interest Fund	63.7	67.1	−0 1	−
Index Linked Sec Fund	64.0	67 3	−0 2	−
Deposit Fund	73 4	77.3	...	−
NUAM Retirement Plans				
Mixed Fund	81.6	85 9	−0.4	−
UK Ordinary Share Fd	94.7	99.7	−0 4	−
International Fund	67.9	71.5	−0.5	−
Property Fund	84 7	89.1	....	−
Fixed Interest Fund	79.5	83.7	−0.2	−
Index Linked Sec Fund	68.5	72 1	−0.2	−
Deposit Fund	88.4	93.1	+0.1	−
NUAM (MF)				
Managed Fund	1035.3	1089.8	−4.4	−
Equity Fund	2218 8	2335 6	−7.4	−
International Fund	168.7	177 6	−1.4	−
Property Fund	490 6	516.5	+0.1	−
Fixed Interest Fund	479.1	504 4	−1.2	−
Index Linked Sec Fund	65.3	68 8	−0.2	−
Deposit Fund	302.7	318.7	...	−

Norwich Union Life Insurance Soc.

Surrey Street, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or −	Yield Gross
Unitised Life				
With Profits Fd	119.82	126.12	+0.03	−
Managed Fd	101 04	106.35	−0.36	−
UK Ord Share Fd	105.75	111 31	−0.25	−
International Fd	92.85	97.74	−0.75	−
European Fd	88.80	93.47	−0.02	−
North American Fd	104 01	109 49	−1.25	−
Pacific Fd	83 73	88.14	−0.91	−
Property Fd	90.21	94.96	+0.01	−
Fixed Int Fd	114.21	120.22	−0 26	−
Intl Bond Fd.	113 04	118 99	−0.50	−
Deposit Fd	118.68	124.93	+0 03	−
Unitised Pensions				
With Profits Fd	163 40	172.00	+0.05	−
Managed Fd	164 23	172.87	−0.79	−
UK Equity Fd	175 19	184.41	−0.79	−
International Fd	161.29	169.77	−1 24	−
European Fd.	143 97	151.55	−0 02	−
North American Fd	176.55	185 84	−2.53	−
Pacific Fd	124 18	130 72	−0 46	−
Property Fd	153.94	162.04	+0 03	−
Fixed Int Fd	140.76	148.17	−0.31	−
Intl Bond Fd.	141.49	148.93	−1 02	−
Bldg Soc Dep Fd	154.13	162.24	+0.04	−
Pensinvestor* & Unit-Linked Plus*				
Mixed Fund	441.2	464.4	+0.1	−
Ordinary Share Fund	660.0	694.7	+2.3	−
International Fund	173.3	182.4	−1.6	−
Property Fund	261.1	274 8	+0.3	−
Fixed Interest Fund	396.5	417 4	+0.2	−
Index-Linked Sec Fund	192.9	203.1	−1.0	−
Deposit Fund	276.0	290.5	+0.5	−
Norwich Units Nov 15	1053 70		......	−

*Prices as at February 18

	Bid Price	Offer Price	+ or −	Yield Gross
Jersey Investment Plan				
With Profits Fund	121 78	128.18	+0 03	−
Intl Equity Fund	94 02	98 96	−0 76	−
Intl Bond Fund	119 79	126 09	−0 62	−

Norwich Union Pensions Management Ltd

Surrey Street, Norwich, NR1 3NG 0603 683335

	Bid Price	Offer Price	+ or −	Yield Gross
Group Pooled Pensions				
Balanced Managed Fd	317.14	322.34	+1.36	−
Growth Managed Fd	105.39	107.21	+0 49	−
Sentinel Managed Fd	104.38	105 80	+0 64	−

Prices as at February 18

Pearl Assurance (Unit Funds) Ltd

Thorpe Wood, Peterborough PE3 6SA 0733 63212

	Bid Price	Offer Price	+ or −	Yield Gross
Prop. Dist. (Gross)	133.5	140.5	...	−
Prop Acc. (Gross)	254.5	267.8	...	−
Equity (Gross)	860.1	905.4	+1.7	−
Managed (Gross)	602.7	634.4	+0.9	−
Prop. Acc. (Net)	121.4	127 8	...	−
Equity (Net)	199.6	210.1	+0.4	−
Managed (Net)	185.8	195.5	+0.2	−
International (net)	169.3	178.2	−0.4	−

Providence Capital Life Assc. Co Ltd – Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Broker Funds				
High Performance	76.1	80.2	+0.2	−
Towerhill Mngd Fd Acc.	40.2	42.4	+0 4	−
YRA Executive Fd.	100 0	105 4	−0.2	−
E Global Growth Acc.	132.8	140 0	−0 4	−
E High Income Mony Acc.	146 9	154 9	+0 1	−
IM Balanced		54.2	−0 1	−
H F Speculator Fd.		135 7	+1 7	−
AAFS Int Man Fund		122.7	−3 2	−
Andrews-Exton Inv Port.		88.5	+0 4	−
Individual Pension Funds				
UK Equity Acc.	238 0	251.1	−0 8	−
UK Fixed Interest Acc.	254.9	268 9	+0.1	−
Intl Equities Acc.	232.8	245 6	−0.7	−
UK Managed Acc.	188 4	198 7	−0.3	−
Property Acc	204.2	215.5	..	−
Money Acc.	173.2	182 8		−
Special Market Acc.	257.3	271.5	+1.7	−
Japan Equity Acc.	142 6	150.5	−1 9	−
North American Acc.	142 0	149 8	−0 8	−
Pacific Acc.	181.1	191 1	−0 6	−
Technology Acc.	188.8	199.2	−0 4	−
Natural Resources Acc.	88.3	93 2	−0 7	−
European Acc.	116 4	122 8	−0 1	−
Residential Prop Acc.	92.3	97.4	..	−
Swiss Equities Acc	33.5	35.4	...	−
Hong Kong Acc.	79 3	83.7	−0 5	−
UK High Inc Eqs Acc.	76.9	81.2	−0.2	−
Int. Fixed Interest Acc.	67.1	70 8	−0 2	−
Int Managed Acc.	59 9	63.1	−0 1	−
Group Pension Funds				
Equity Acc.	842.4	868 5	−1.0	−
Fixed Interest Acc.	757 4	780 9	+0.2	−
Managed Acc.	134 7	137.3	...	−

Provident Life Assoc Ltd

Provident Way, Basingstoke RG21 2SZ 0256 470707

	Bid Price	Offer Price	+ or −	Yield Gross
Gold Range (Pensions)				
Discretionary Fund		130 3	+0 3	−
Equity Fund		121 6	+0.1	−
Fixed Interest Fund.		151.1	+0 6	−
International Fund		113 8	+0 6	−
Property Fund		141.0	...	−
Index-Linked Fund		138.7	+0 1	−
Deposit Fund		155 8	...	−
S & F Consolidation		144.0	+0.1	−
S & F Balanced		151.5	+0 3	−
S & F Maximum Growth		98.1	+0.3	−

Provident Mutual Life Assc. Assn.

Willian Rd, Hitchin, Herts SG4 0LP 0438 739000

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Ord	358 7	377.6	−2	−
Managed Init.	264.8	278 7	−1 5	−
Equity Ord	529 6	557.5	−2 7	−
Equity Init.	391.0	411 6	−2 1	−
Index Linked Gilt Ord.	161.5	170.0	−0.3	−
Index Linked Gilt Init.	124.5	131.1	−0.3	−
Overseas Equity Ord.	282.6	297.5	−2.6	−
Overseas Equity Init.	208.6	219 6	−2	−
Property Ord	216 6	228.0	.. ..	−
Property Init.	159 9	168.3	.....	−
Fixed Interest Ord.	220 5	232.1	...	−
Fixed Interest Init.	162.8	171.4	....	−
Deposit Ord.	182.4	192.0	+0.1	−
Deposit Init.	134.6	141.7	.....	−
Pension Funds				
Managed Ord.	457.9	482.0	−2.9	−
Managed Init.	338 1	355.9	−2.1	−
Equity Ord.	693.1	729.6	−4.5	−
Equity Init.	511.7	538.6	−3 4	−
Pen Ind Lkd Gilt Ord	181.5	191.1	−0 4	−
Pen Ind Lkd Gilt Init.	140.0	147.4	−0.3	−
Overseas Equity Ord.	322.0	338.9	−3.3	−
Overseas Equity Init.	237.7	250.2	−2.4	−
Property Ord.	272.5	286.8	...	−
Property Init.	201.2	211 8	...	−
Fixed Interest Ord.	278.5	293.2	+0.1	−
Fixed Interest Init.	205.6	216.4	+0 1	−
Deposit Ord.	259.5	273.2	+0.1	−
Deposit Init.	191.6	201.7	+0 1	−

Prudential Assurance Co

Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or −	Yield Gross
Prubond				
Managed Feb 19.	258 2	269.0	+0.61	−

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OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED**)

[illegible]

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	Bid Price	Offer Price	+ or -	Yield Gross
Baring Mutual Fund Mngmt (Ireland) Ltd				
New Asian Fund	$94.92		.....	0.00
Federated International Funds Plc				
Federated Short-term US Gov't Securities Fund				
Institutional Serv Series*	$1.00		..	3.86
Investment Series*	$1.00		.....	3.76
Investment Gth Series	$100.29		+0.04	4.14

* Annualised Yield

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F
Lord Street, Douglas, IoM 0624 661551

For conversion Prices of Shares Phone: 0624 662860

Asset Global Funds Ltd (1200)
Victory Hse, Prospect Hill, Douglas, IoM 0624 620097

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Barclays Intl Funds—Contd.						
Bond Funds						
Sterling Bond		£0.410	0.428xd		+0.001	10.6
US Government Income		$97.39	100.85xd		+0.02	6.5
Asian Selection Funds						
Hong Kong		$15.039	15.830		-0.132	3.0
Indonesia		$8.642	9.097		-0.075	2.5
Korea		$9.752	10.265		-0.064	2.5
Malaysia		$11.574	12.183		+0.154	0.5
Philippines		$11.616	12.197		-0.505	2.5
Singapore		$11.812	12.434		.....	1.0
Thailand		$13.566	14.280		-0.137	2.5
South East Asia		$13.154	13.846		-0.032	3.0
US Dollar Liquidity		$9.633	10.115		.....	3.4
Cater Allen Investment Management (CI)						
CA Gilt Income		66.48	6.78xd		+0.01	17.70
CA Gilt & Futures		£1.004	1.057xd		.....	7.57
CA Equity Grwth		£3.79	4.13xd		+0.01	3.39
Citibank (CI) Ltd "Citifunds"						
Liquidity Funds						
Deutschmark			DM30.696		+0.022	-
Yen			Y3043.211		+1.279	-
Sterling			£12.442		+0.009	-
US Dollar			$18.425		+0.007	-
Managed			$18.636		-0.006	-
Short Term Investment Funds						
Irish £ Feb 20			115.275		+0.207	-
Equity Funds						
Global Equity			$17.159		-0.149	-
Japan Equity Feb 13			$8.850		-0.268	-
European Equity Feb 17			$15.373		+0.026	-
US Em Hlth Feb 17			$26.894		-0.630	-
US Em Tech Feb 17			$23.059		+0.566	-
Calcare Feb 17			$41.242		-0.982	-
Bond Funds						
Global Bond			$16.348		-0.098	-
GNMA Bond Feb 17			$14.410	14.627	+0.024	-

INVESCO MIM International Limited – Contd.

Credit Suisse–Contd.

Yamaichi Advanced Technology Fd

Yamaichi 1992 OMNI Fund SICAV (u)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Genesis Fund Managers Ltd

Gartrust SA

Global Asset Management

North Star Fund Managers—Contd.

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

JERSEY (REGULATED)(**)

Barclays Intl Funds

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar takes a breather

THE dollar took a break yesterday from its recent hectic scramble, even ignoring better than expected consumer price data, *writes Peggy Hollinger*.

It finished the day in London slightly weaker at DM1.6470, compared with DM1.6480. Strong rumours that the Federal Reserve had been checking dollar/D-Mark prices pushed the US unit down from DM1.6475 to DM1.6425 at one stage. The market had previously speculated there would be no hint of intervention until the dollar rose to DM1.70.

Economists stressed that yesterday's decline was only minimal and the dollar was expected to remain strong. "It will not be rampant any more," said Dr Mark Austin, an economist with HongKong Bank, "but it is not going to go down either."

The dollar enjoyed a half-hearted rally on the announcement of core consumer prices up just 0.3 per cent, as opposed to the forecast 0.6 per cent. However, stop loss trading was triggered when it hit DM1.65, forcing the dollar down to the low DM1.64 levels in the afternoon.

The long-awaited Humphrey Hawkins speech to Congress from Federal Reserve chairman Mr Alan Greenspan offered no surprises. Economists said Mr Greenspan had narrowly avoided congressional criticism over Fed actions to encourage economic recovery, by announcing the easing of credit requirements the night before the speech.

The dollar continued its cautious rise against the yen, closing in London at Y128.35 from Tuesday's Y128.00. Rumours that the Federal Reserve had also been checking dollar/yen prices in New York held the US currency back in Europe.

In Japanese trading, however, the dollar enjoyed a more healthy rally from Y127.17 to Y128.20. The Bank of Japan checked dollar/yen rates at the Y128.10 level, but to no avail.

Sterling was tarnished by the dollar's muted performance, remaining unchanged against the D-Mark at DM2.8850. Encouraging retail sales figures had little effect as the market was looking towards today's GDP numbers for the fourth quarter. The speculation about a base rate cut was "bubbling away in the background," said Dr Austin, but had done little damage.

Rumours of an interest rate cut co-ordinated between the Spanish and British central banks could resurface in three weeks when Spain releases its next set of inflation figures. "That would fit in conveniently with a cut around [UK] budget time," said Mr David Cocker, treasury adviser at Chemical Bank.

The pound remained on the bottom of the exchange rate mechanism grid and was at its limit against the peseta. The Spanish currency slipped from 62.56 per D-Mark to 62.61.

The Bank of Italy had been buying D-Marks at the Milan fix with an eye to keeping the lira at about 750, said Mr Cocker. The Italian unit closed at 750.05 per D-Mark, compared with 750.13.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 19	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.095	-4.14	6.18	72
Belgian Franc	42.4032	42.0972	-0.72	2.52	38
Dutch Guilder	2.31643	2.30225	-0.61	2.40	33
D-Mark	2.05586	2.04628	-0.47	2.25	34
Irish Punt	0.767417	0.765552	-0.24	2.03	14
Italian Lira	1538.24	1534.89	-0.22	2.00	14
French Franc	6.89509	6.95995	0.94	0.83	-48
Danish Krone	7.84195	7.93025	1.13	0.64	-48
Sterling	0.696904	0.709295	1.78	0.00	-35

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

Feb.19	Latest	Previous Close
£ Spot	1.7525-1.7535	1.7550-1.7560
1 month	0.90-0.89pm	0.87-0.85pm
3 months	2.52-2.49pm	2.55-2.52pm
12 months	8.60-8.50pm	8.68-8.58pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.19	Previous
8.30 am	90.7	90.7
9.00 am	90.6	90.6
10.00 am	90.6	90.6
11.00 am	90.6	90.6
Noon	90.6	90.6
1.00 pm	90.7	90.6
2.00 pm	90.6	90.6
3.00 pm	90.6	90.6
4.00 pm	90.7	90.6

CURRENCY MOVEMENTS

Feb 19	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.7	-20.8
U.S Dollar	64.1	-14.5
Canadian Dollar	100.8	-1.5
Austrian Schilling	109.9	+12.1
Belgian Franc	111.4	-1.9
Danish Krone	108.8	+3.0
D-Mark	118.2	+24.8
Swiss Franc	106.4	+14.5
Dutch Guilder	114.3	+16.3
French Franc	103.0	-13.0
Lira	98.8	-19.7
Yen	143.6	+78.8

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Feb.18

CURRENCY RATES

Feb 19	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.787882	0.709295
U.S Dollar	3.50	1.38092	1.24318
Canadian $	7.46	1.64233	1.47640
Austrian Sch	7.50	15.9980	14.3985
Belgian Franc	8.50	46.7407	42.0972
Danish Krone	9.50	8.79715	7.93025
D-Mark	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Feb 19	£	$
Kuwait	0.51425 - 0.51525	0.29300 - 0.29350
Luxembourg	59.15 - 59.25	33.75 - 33.85
Malaysia	4.5425 - 4.5545	2.5925 - 2.5945
Mexico	5365.75 - 5370.55	3060.00 - 3061.00
N.Zealand	3.2360 - 3.2405	1.8445 - 1.8470
Saudi Ar.	6.5725 - 6.5850	3.7495 - 3.7505
Singapore	2.8800 - 2.8870	1.6425 - 1.6445
S.Af (Cm)	4.9630 - 4.9745	2.8315 - 2.8330
S.Af (Fn)	6.1030 - 6.2105	3.4785 - 3.5400
Taiwan	43.75 - 43.85	24.95 - 25.00
U.A.E.	6.4285 - 6.4495	3.6715 - 3.6735

*Floating rate. Iran Official rate £117.40 $65.00

POUND SPOT - FORWARD AGAINST THE POUND

Feb 19	Day's spread	Close
US	1.7485 - 1.7570	1.7510 - 1.7520
Canada	2.0780 - 2.0860	2.0800 - 2.0810
Netherlands	3.2400 - 3.2500	3.2400 - 3.2500
Belgium	59.15 - 59.45	59.15 - 59.25

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

Feb 19	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Swiss Franc	7⅝ - 7½	7⅝ - 7½	7½ - 7⅜	7⅝ - 7½	7 7/16 - 7 5/16	7⅜ - 7¼
D-Mark	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9 9/16 - 9 7/16
French Franc	9 13/16 - 9 11/16	9 13/16 - 9 11/16	9 13/16 - 9 11/16	10 - 9⅞	9 13/16 - 9 11/16	9 11/16 - 9 9/16
Italian Lira	12 - 10	12¼ - 11¼	12¼ - 11¾	12¼ - 11¾	12¼ - 11¾	12 - 11⅝
Belgian Franc	9⅞ - 9¾	9⅝ - 9½	9 11/16 - 9 9/16	9⅝ - 9½	9⅝ - 9½	9⅜ - 9¼
Yen	5⅜ - 5¼	5⅝ - 5½	5 11/16 - 5 9/16	5⅛ - 5⅜	4 15/16 - 4 13/16	4 15/16 - 4 13/16
Danish Krone	9⅝ - 9½	9¾ - 9½	10 1/16 - 9⅞	10⅛ - 9 15/16	10⅛ - 10	10⅛ - 10
Asian $Sing	3⅛ - 3	3⅛ - 3	3⅜ - 3¼	3½ - 3¼	3½ - 3⅜	3¾ - 3⅝

Long term Eurodollars: two years 5 13/16-5 11/16 per cent; three years 6¼-6⅛ per cent; four years 6¾-6⅝ per cent; five years 7¼-7⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb.19	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.752	2.885	224.8	9.813	2.608	3.245	2161	2.081	59.20	1.410
$	0.571	1	1.647	128.3	5.601	1.489	1.852	1233	1.188	33.79	0.805
DM	0.347	0.607	1	77.92	3.401	0.904	1.125	749.0	0.721	20.52	0.489
YEN	4.448	7.794	12.83	1000.	43.65	11.60	14.44	9613	9.257	263.3	6.272
F Fr.	1.019	1.785	2.940	229.1	10.	2.658	3.307	2202	2.121	60.33	1.437
S Fr.	0.383	0.672	1.106	86.20	3.763	1	1.244	828.6	0.798	22.70	0.541
N Fl.	0.308	0.540	0.889	69.28	3.024	0.804	1	665.9	0.641	18.24	0.435
Lira	0.463	0.811	1.335	104.0	4.541	1.207	1.502	1000.	0.963	27.39	0.652
C$	0.481	0.842	1.386	108.0	4.716	1.253	1.559	1038	1	28.45	0.678
B Fr.	1.689	2.959	4.873	379.7	16.58	4.405	5.481	3650	3.515	100.	2.382
Ecu	0.709	1.243	2.046	159.4	6.960	1.850	2.301	1533	1.476	41.99	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Rate cut fever cools

THE FEVER of excitement over an imminent rate cut in the UK cooled off yesterday, as the Bank of England stayed away from money market operations until the afternoon.

Overnight rates, which began the day at about 10 per cent, were as high as 11¾ per cent by the afternoon. They fell back to close at 10¾-⅝ per cent, still higher than in recent days.

Virtually all money, right up to one and two years, was depressed at the opening. The market was bracing itself for a rate cut following sterling's resilient performance against the D-Mark this week.

UK clearing bank base lending rate
10.5 per cent
from September 4, 1991

The key three-month interbank rate – which is a good indicator to the course of interest rates – fell as low as 10⅛ per cent at the bid, said one dealer, the lowest seen in some time. By the end of the day, the rate was looking for at least a quarter point cut in rates, closing at 10¼-$\frac{3}{16}$ per cent.

On the futures market, the March short sterling contract closed at 89.86.

At this level, the market was expecting a rate of about 10.14 per cent by the time the contract expires on March 18. Most economists and dealers are expecting a rate cut just after the budget on March 10. However, the market will continue to speculate on an imminent cut as the election approaches.

The Bank tried to cool some of the rate cut speculation at noon by offering to buy bills nearer the current 10½ per cent base rate. It was ignored until the afternoon, however, when the market accepted its first tranche of assistance to stem the forecast £400m shortage.

Band one treasury and bank bills totalling £92m were purchased at 10⅜ per cent. The bulk of the shortfall was eliminated by late assistance of £240m.

In the US, the Federal Reserve acted to depress the funds rate by adding liquidity through overnight system repurchase agreements. At the time of the action, funds were trading at 5¼ per cent. The perceived target is 4 per cent.

Economists suggested that the announcement Tuesday night that the Fed would ease credit requirements reinforced the view there would be no immediate change in US monetary policy.

In Germany, the Bundesbank injected DM700m through securities repurchase agreements. This helped to hold call money rates at 9.55/65 per cent.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
107	0.83	-	-	0.04	-	-
108	0.14	-	-	0.36	0.47	-
109	0.01	0.95	-	-	0.83	-
110	-	0.54	-	-	1.40	-
111	-	0.27	0.66	-	-	-
112	-	0.13	-	-	-	-
113	-	-	-	-	-	-
Open Int	127,055	67,333	9,433	103,444	51,519	3,176

Estimated volume 19,968 Total Open Interest 361,960

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,778 Set by DINMUTZ

ACROSS

1 Cover for the flight, to include the landing possibly (5-6)
7 A sensation, whichever way you look at it (3)
9 His ghosts in the same place, next to nurse? (5)
10 A model bed made up in the way of Mr Bumble (9)
11 Hide outside (9)
12 In age, Noah swallowed port (5)
13 Sort of cross – grounds for mutiny? (7)
15 Dreary poet retired (4)
18 Hospitable women with a jolly following? (4)
20 Academic choral work on Sunday (7)
23 Custom for banger to have no starters (5)
24 Bulls-eye in Hull? (9)
26 Advertising campaign in favour of passage? (9)
27 Agony of Greek leader putting out fire (5)
28 Degeneration from moonshine (8)
29 Extremely old-fashioned caveman? (11)

DOWN

1 T.S. Eliot work needs time to make a point (8)
2 Relishes having gold first in championship (8)
3 Cooking facilities for a cowboy's home? (5)
4 Egg-white a pound, say, on foreign menu (7)
5 Commended for installing lift in Police Department (7)
6 Great help untangling wire (9)
7 Behaving like a crane, for example? (6)
8 One pockets litter in Victoria, for example (6)
14 Disturb feathers of makeshift bed (9)
16 Slow-moving like a bullet, paradoxically (8)
17 Obliged for such an adequate supply of logs? (8)
19 Wine manufactured by fresh air (7)
20 Tarnished instead, perhaps (7)
21 This parachutist rides up (6)
22 Avant-garde exit? (3-3)
25 Cross growlers (5)

Solution to Puzzle No.7,777

WORLD STOCK MARKETS

AUSTRIA

February 19	Sch	+ or −
Austrian Airlines	2,840	−20
Creditanstalt Pf	533	+1
EA General	3,670	−5
EVN	876	....
Jungbunzlauer	10,010	+10
OeMV	1,051	−12
Perlmooser Zement	1,601	−9
Radex Heraklith	652	−18
Reininghaus Brue	1,797	−92
Steyr Daimler	292	−3
Veitscher Magnesit	428	−16
Verbund (Br) A	529	−7
Wienerberger	5,170	−30
Z-Laenderbank	1,121	−19

BELGIUM/LUXEMBOURG

February 19	Frs.	+ or −
ACEC-Union Min	2,250	+10
AG Group	2,070	−5
Arbed	3,905	−15
BBL	3,240	....
Bank Intl a Lux	11,800	....
Banq Gen Lux Pts	11,750	−50
Barco	1,126	−12
Bekaert	10,400	−50
CBR Ciment	7,970	−80
Cobepa	4,970	+80
Cobepa AFV 1	4,850	....
Cockerill Priv	156	−3
Colruyt	4,750	−100
Delhaize Frs Lion	8,630	−20
Electrabel	4,940	−15
Electrabel AFV	4,860	−10
Electrafina ACT	2,680	−75
GBL	3,340	....
GBL AFV 1	3,300	−40
GIB Group	1,312	−12
GIB Group AFV	1,260	−12
Gechem	358	−6
Gechem AFV	369	....
Generale Banque	6,320	+10
Gen Banque AFV1	6,230	....
Gevaert	6,690	−60
Kredietbank	4,620	−25
Kredietbk AFV	4,595	+40
Pan Holding Lux	13,400	+200
Petrofina	10,525	−50
Powerfin	2,460	−10
Powerfin AFV	2,460	−20
Royale Belge	4,380	−60
Royale Belge AFV 1	4,240	....
Soc Gen Belge	2,150	....
Soc Gen Belge AFV	2,150	+70
Sofina	11,675	−25
Solvay	12,250	+50
Tessenderlo	5,810	−30
Tessenderlo AFV	5,360	−370
Tractebel	7,910	....
Tractebel AFV 1	7,660	−50
UCB	20,150	−100
UCB AFV	19,375	+25

DENMARK

February 19	Kr	+ or −
Baltica Holding Reg	685	+4
Bikuben	295	....
Carlsberg A	378	−2
D/S 1912 A	98,400	....
Danisco	815	....
Den Danske Bank	327	+4
East Asiatic	166	....
FLS Ind B	625	−5
Great Nordic	335	....
Hafnia Hldgs A	530	+10
Hafnia Hldgs B	394	+9
ISS Intl Serv B	854	−2
Jyske Bank Reg	335	+3
Lauritzen (J) B	1,820	+20
NKT A/S	365	+3
Novo Nord B	528	....
Sophus Berend B	1,820	−10
Superfos	5,200	....
TopDanmark	900	....
Unidanmark A	204	−7

FINLAND

February 19	Mks	+ or −
Amer	73	....
Cultor	62	+3
Enso R	19.70#	....
Huhtamaki I Free	111	....
KOP	17	....
Kone B Free	430	....
Kymmene	81	−0.50
Metra B Free	70	−0.50
Nokia Pref Free	63.50	+1.50
Pohjola B Free	68.10	+3.10
Repola (Free)	49.70	+0.20
Stockmann B	135	−2
Tampella Free	14	....
Unitas Bk C Free	15	+0.50

FRANCE (continued)

February 19	Frs.	+ or −
Bongrain	2,935	+3
Bouygues	571	−4
CGIP	1,146	+6
C M B Packaging	187.70	−0.20
Canal+	1,069	+4
Cap Gemini S	290	+4
Carrefour	2,458	−16
Casino	157.60	−0.80
Cetelem	729	+7
Chargeurs	1,145	−5
Club Mediterranee	497.90	+11.10
Cogifi	352	−2
Coparex	700	....
C C F	195	−0.60
Cr Fonc France	952	+9
Cred Lyon (CI)	590	+13
Credit National	1,085	+21
Damart	2,530	....
Docks de France	402	−1
Dollfus Mieg Cie	280	....
EBF	778	+23
Eaux Cie Genl	2,162	+14
Ecco	388	+1.20
Elf-Aquitaine	367	−1
Elf-Aquitaine Certs	256	....
Essilor Int	379.50	−5.50
Euex	1,679	+24
Eurafrance	1,435	−10
Eurocom	567	−4
Euro Disney	149.20	−0.60
Exor	1,470	−5
Finextel	117.30	+0.30
Fonc Lyonnaise	639	+30
From C et Aux	2,705	−35
GTM-Entrepose	375	+3.80
Gal. Lafayette	1,550	+95
Gaumont (Soc N)	670	+10
Geophysique	624	....
Hachette	153.90	+5.90
Havas	459.90	+7.90
Imetal	290	+9.80
Imm de France	825	....
Immobanque	678	....
Immob Phenix	144	−1
Industrielle	6,520	−130
Interbail	445	−1
Intertechnique	701	−4
LVMH	4,478	−11
Lafarge Coppee	339.50	+6.50
L'Oreal	747	−3
Legrand	4,082	−3
Legris	399	−8.90
Lyon Eaux Dumez	490.10	+7.10
Matra	176.90	−1.60
Merlin-Gerin	521	+7
Michelin B	165.20	+1.10
Moulinex	166.20	+1.20
Navigation Mixte	1,198	....
Nord Est	99	+2
Orsan	240	+5
Paribas	389	+2.20
Paris Reescompte	264	+4.20
Pernod Ricard	1,467	+3
Perrier	1,526	−21
Peugeot	726	+8
Pinault	262.20	−1.80
Poliet	442	+11
Printemps (Au)	907	+13
Promodes	2,980	−10
Radiotechn	543	−2
Redoute	5,340	+60
Rhone Poulenc Cts	587	+22
Roussel-Uclaf	2,090	−9
SILIC	555	+7
Sagem	1,750	+75
Saint Gobain	513	−12
Saint Louis	1,299	−10
Sanofi	1,184	+32
Schneider	686	+20
Seb SA	1,945	+5
Sefimeg	465.10	−0.40
Simco	462	+2
Skis Rossignol	839	+4
Soc Generale de Fr	529	+1
Sommer-Allibert	1,385	+47
Spie Batignolles	322	−0.50
Suez (Fin de)	327.40	+1.40
Taittinger	2,790	−5
Thomson C S F	158	−1
Total B	255.50	−1.40
UAP	565	+12
UFB Locabail	289	−1
Unibail	520	−5
Union Immob Fr	463	−2
Valeo	690	−6
Vallourec	271.30	−2.60
Worms Cie	374.90	−2.10

GERMANY

February 19	Dm.	+ or −
AEG	226.50	−1
AG Ind & Verk	690	−11
Aachen Mch (Reg)	852	−30
Allianz AG	2,294	−6
Altana Ind	640	−1
Asko	738	−17
Asko Prf	665	−10
BASF	243.70	−0.50
Badenwerk	261.50	+0.50

CANADA

TORONTO

3:00 pm prices February 19

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
500	Abitibi Pr	$15¾	15⅜	15⅜	
16800	AgnicoEa	$5⅝	5½	5⅝	+⅛
41100	Air Cda	$7⅛	7⅛	7⅛	
6200	Albrta En	$11¼	d11	11	−¼
800	AlbNtGas	$13¼	13¼	13¼	−⅛
406300	Alcan Al x	$25⅛	24¾	25	
70800	Am Barr	$33⅛	32⅝	32¾	+⅛
58600	Atco Cl 1	u$12¼	12⅛	12¼	+⅛
254900	Bk Montr'l	$42⅜	d41⅞	42	−⅛
159300	Bk Nova Sc	$20¾	d20½	20½	−¼
17300	BC Sugar A	$13⅛	d12⅞	13⅛	
175200	BCE Inc	$47½	d47¼	47⅜	
61800	Belmoral	14	14	14	
7600	BGR A	$7⅜	7⅜	7⅜	
86800	Bomb'dierB	$16½	16⅜	16½	
20600	Bow Valley	$11⅜	d10½	10½	−⅞
27000	BP Canada	u$12¾	12½	12½	
118600	Bramalea	500	d485	490	−10
58700	Brascan A	$19⅛	18⅞	19	−⅛
156500	Breakwater	44	39	40	−6
10500	BC Tel	$22¼	22	22⅛	+⅛
7100	Bruncor	$19¼	19⅛	19¼	+⅛
800	Brunswick	$7⅝	7⅝	7⅝	
122700	CAE Ind	$6½	6⅜	6⅜	−⅛
30200	Cambior	$8¼	8⅛	8¼	
7100	Cambridge	$19⅜	d19¼	19¼	−⅛
44500	Cameco	$15⅝	15½	15⅝	
4500	C'bell Res	u54	53	53	
116900	CanImpBk	$32⅛	d31⅝	32⅛	+⅛
92200	Can Occid	$26	d24⅝	24¾	−2¼
243100	Can Pac	$17⅜	d17⅛	17½	
1900	Can Tire	$23	d22½	23	
29700	CanTire A	$20	d19¾	19¾	−⅛
18800	Can Util A x	$19¾	d19½	19½	−¼
500	Can Util B x	$20	d20	20	−1
15000	Canamex	u40	40	40	
10000	Canfor	$27⅞	27	27	−⅛
12000	CnPcForest	$25	d24½	25	−⅛
23800	Cara Op	$5⅜	d5¼	5⅜	+⅛
3500	Cascades	$7¼	7¼	7⅛	
1200	Celanese	$48¼	48½	48¼	
3000	Cntrl Cap	36	36	34	
6000	Cleapx Odc	330	310	315	−10
3500	Cntrl Fd A	465	460	460	−5
11400	Cominco	$20½	20	20⅜	−⅛
8000	Coputalog	78	78	78	
67200	Corel Sys	$23	22½	22½	−½
200	CoscanDev	$8⅜	8⅜	8⅜	
204100	CrownX A	u135	115	135	+20
800	Denison A	18	d18	19	
10000	Derlan	$8⅜	8⅝	8⅜	
78800	Dofasco	$17⅝	17⅜	17⅜	−⅛
32800	Domian Txt	$8⅝	8⅜	8⅝	+⅛
4800	Domtar Inc	$5⅞	d5⅝	5¾	−⅛
1900	Du Pont A	u$43	43	43	+¼
4600	DundeeBncA	285	278	280	−5
54700	Echo Bay M	$8⅝	8½	8½	−⅛
400	Emco Ltd	$7	7	7	
800	Empire	$12½	12½	12½	
2000	Euro Nev	$17⅛	17	17	
20400	FPI Ltd	$5¾	5⅝	5⅝	−⅛
44900	FahnstkVw	$11⅝	11⅜	11⅜	−⅛
2100	Finning	$13¾	13⅝	13¾	+⅛
500	Fst Marit A	$12¼	12	12¼	+¼
1900	Fortis x	$23½	23¼	23¼	−⅛
3900	Four Seasn	$16½	16½	16½	+¼
6800	FrancoNev	$26	25¾	25¾	
17000	Galactic	20	19	19	
900	Gendis A	$22½	22½	22½	−⅛
12700	Glamis Gld	405	385	385	−25
6700	Granges	115	110	115	
3500	GtW Lifeco	u$14⅜	14½	14½	+⅛
31800	Gulf Cda R	$5¼	5½	5½	−¼
13100	GW Utils x	$12	d11½	12	−¼
1500	HarrisSt A	$6¾	6¾	6¾	
2000	Hawker Sid	$25	25	25	+½
4800	Hees Intl x	$16⅛	16	16	
36200	Hemlo Gold	$10¾	10⅝	10¾	+⅛
2700	Hollinger x	$13¼	13⅛	13⅛	−⅜
6500	Home Oil	$14⅝	14½	14½	−¼
63500	Horsham	$11	10⅞	10⅞	
300	HudsBayM&S	$5⅝	5⅝	5⅝	
2200	HudsonsBay	$30¾	30⅝	30¾	
22800	Imasco	$37¼	37	37¼	
80800	Imp Oil	$42½	42	42¼	
404000	Inco x	$38	37⅝	37⅞	
38100	Int Corona	500	490	495	
6500	IntprvPipe x	$27⅞	27¾	27¾	−⅛
2300	Invest Grp	$24	23⅝	23⅝	−⅜
300	Iveco A	326	d325	330	
2300	Jannock	u$17¾	17½	17⅝	−⅛
7600	KerrAddis	$16⅛	16	16	−¼
77200	Labatt	$27½	27⅛	27⅛	−⅛
172500	Lac Mnls	$8⅞	8⅝	8⅝	−⅛
2100	Lafarge x	u$18	18	17⅞	
68700	Laidlaw A	$11¼	11	11⅛	
289400	Laidlaw B	$11⅛	11	11	−⅛
200	Laurent Bk	$20¾	20¾	20¾	
100	Laurent Gp	$6	d6	6	
700	Lawson Mar	$8⅞	d8¾	8¾	
17500	Loblaw	$17⅞	17⅜	17½	−¼
37900	Mackenzie	$7½	7⅜	7½	+⅛
121400	Macm Bl x	$19⅛	18⅞	19	+¼
38500	Magna IntA	$27½	27	27¼	−¼
4900	Mel Lf Fds	$17¼	17	17⅛	+⅛
12900	Marit T&T	u$21⅛	20⅞	21⅛	+⅛
800	Mark Res	$5⅜	d5¼	5¼	−¼
20100	MDS Hth B	$19½	19¼	19¼	−⅛
13500	Metall Min	u$11¾	11½	11¾	
2000	Minnova	$17¾	17½	17½	−¼
395600	Mitel Corp	220	205	208	−7
10500	Molson A	$33⅜	33⅛	33¼	−¼
67800	Moore Corp	$22⅜	d22	22⅜	+¼
5000	Muscocho	5½	5½	5½	
7100	Nat Bk Can	$12	11¾	11⅞	
15800	Noma Ind A	u$7½	7⅛	7½	+¼
4500	NorandaFor	$8½	8⅜	8⅜	
98200	Noranda	$19½	19¼	19¼	−⅛
300	Norcnl 12 x	$22	d22	22	
20100	NorcnMng x	$21¼	d21	21⅛	−½
71400	Nth Tele	$56⅞	56⅜	56⅞	+⅛
4400	Northgate	88	88	88	
118500	Nova Corp	$8⅜	8	8¼	
900	Nowsco WSv	$9	d9	9	
2800	Numac Oil	$5⅞	5¾	5⅞	+⅛
67800	Ocelot A	$13⅝	13⅛	13½	−⅛
18000	Onex Corp	$5⅞	d5⅝	5⅞	+⅛
15000	Oshawa A x	$18⅞	18⅞	18⅞	
235400	PWA Corp	$5⅜	5⅛	5¼	+⅛
11900	Pagurian A	495	d485	495	+5
400	Pancdn Pet	$24½	24½	24½	+⅛
26300	Pegasus	u$16¾	16½	16½	+⅛
22000	Pioneer Mt	21	21	21	−1
453000	PlacerDome	$12½	12¼	12¼	−¼
37400	Poco Pet	$5⅜	5¼	5⅜	−⅛
21300	Power Corp	$14⅞	14⅝	14⅝	
700	Power Fin	$18¼	18¼	18¼	−⅛
600	Provigo	$9	9	8¾	
4200	Quebecor A	$13	d13	13	
44100	Ranger Oil	$8⅜	8¼	8⅜	
7600	Rayrock	u$5⅜	5⅜	5⅜	
1300	Reed Sten	$25	25	25	
500	Reitman S	$19	18½	18½	
151800	Ren'ssance	$13¼	13⅛	13¼	
58800	Repap Ent	$5⅝	5¼	5⅜	
1500	Rio Algom	$17⅝	17⅜	17⅞	+⅛
133800	RogersComB	$13¼	d12⅞	13	−⅛
2000	Rothmans	$92	91¼	91¼	
269100	RoyalBkCan	$25⅛	d24¾	25	
16800	Ryl Oak Mn	184	180	182	+2
134300	RylTrustco	$8⅜	8⅜	8⅝	−⅛
400	StLawCm A	$12½	12⅜	12⅜	−⅛
11300	Sceptre Rs	135	132	132	
3400	ScottPaper	$19½	19¼	19¼	−½
20700	Scotts Hos	$18⅝	18½	18⅝	+⅛
29000	Seagram Co	$138⅝	138	138½	−½
2000	Sears Can r	$9⅛	8⅞	8⅞	−⅛
7400	ShellCan A	u$44	43½	43½	+⅛
80400	Sherritt G	$9⅛	9	9⅛	
156200	SHL Syst	$15¾	14½	14⅞	−⅞
2000	SNC Group	$18⅜	18⅜	18⅜	−¼
30000	Sonora Gld	17	17	17	
9400	Southam	u$19⅞	19⅝	19¾	+⅛
6100	Spar Aero	$17⅞	17⅝	17⅞	+⅛
171900	Stelco A	$5¾	d5⅝	5⅝	−¼
32900	Teck B	$18¼	18	18	
12200	Teleglobe	$12½	12⅜	12½	+⅛
160900	Thomson x	$16⅝	16⅜	16⅝	+⅜
237400	Tor Dom Bk	$17⅛	17	17	−⅛
1700	Torstar B	$24¼	24⅛	24⅛	
4500	TotalPNAm x	$11¾	11½	11½	−¼
123200	TransAlta	$13	d12¾	12⅞	
182000	Transcan P	$17⅛	d17	17⅛	
5200	Trimac	$8½	8½	8½	−⅛
58000	Trizec A	$9⅜	d9¼	9⅜	
100	UAP A x	$15½	15½	15½	
28100	UnionEnr	$15⅛	15	15⅛	+⅛
600	UnitedCorp	$29	28½	28½	−½
2900	UtdDomInd	$12⅝	12⅝	12⅝	−⅜
2200	Viceroy Rs	500	495	500	
64000	W'coast E	$18⅞	d18¾	18⅞	
1700	Weston Geo	$39	38¾	38¾	+⅛
27600	WIC B	u$14	13⅞	14	

1 - No voting rights or restricted voting rights

MONTREAL

3:00 pm prices February 19

Sales	Stock	High	Low	Close	Chng
75700	BombrdierB	$16½	16¼	16⅜	−⅛
3400	Cambior	$8⅞	8⅝	8⅞	+⅛
21500	CanImp Bk	$32⅛	d31⅞	32	+¼
6400	CanMarconi	$17⅜	17¼	17¼	−⅜
40300	Cascades	$7⅛	7⅛	7⅛	+⅛
6900	DominTxt A	$8⅞	8⅜	8⅜	+⅛
30100	MacleanHnt	$11¼	11¼	11¼	
29500	NatBk Can	$12	11¾	11⅞	
3700	Provigo	$8⅞	8¾	8¾	
3900	Quebecor A	$13½	12⅞	13½	+¼
3500	Teleglobe	$12⅜	12⅜	12⅜	−⅛
5100	Videotron	$16¾	16½	16⅝	−⅛

Total Sales 10,073,400 shares

INDICES

NEW YORK

DOW JONES	Feb 18	Feb 14	Feb 13	Feb 12	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3224.73	3245.97	3246.65	3276.83	3276.83 (12/2)	3172.41 (2/1)	3276.83 (12/2/92)	41.22 (2/7/32)
Home Bonds	98.84	99.00	99.06	99.22	99.81 (6/2)	98.77 (3/2)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1420.03	1406.20	1386.21	1405.64	1445.81 (16/1)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	206.00	207.81	208.12	209.94	225.59 (3/1)	206.00 (18/2)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3280.19 (3271.91) Low 3195.66 (3208.63)

STANDARD AND POOR'S

	Feb 18	Feb 14	Feb 13	Feb 12	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	407.38	412.48	413.69	417.13	420.77 (15/1)	407.38 (18/2)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	483.91	491.00	492.30	496.32	499.27 (15/1)	483.91 (18/2)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	33.93	34.09	34.29	34.62	35.14 (15/1)	33.53 (31/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	225.65	228.16	228.73	230.54	231.85 (15/1)	225.65 (18/2)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	409.20	414.27	415.27	418.99	418.99 (12/2)	395.51 (2/1)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	626.41	636.43*	639.30	644.92	644.92 (12/2)	586.45 (2/1)	644.92 (12/2/92)	54.87 (31/10/72)

	Feb 14	Feb 7	Jan 31	year ago (approx.)
Dow Industrial Div. Yield	2.82	2.88	2.87	3.44

	Feb 12	Feb 5	Jan 29	year ago (approx.)
S & P Industrial div. yield	2.54	2.56	2.59	2.91
S & P Indl. P/E ratio	25.61	25.43	25.10	17.89

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
LTV Corp	7,333,200	⅜	- ½
Unisys	5,589,800	11⅜	+ ⅝
Glaxo	3,880,300	29¾	+ ⅜
Intera	3,493,600	34⅛	- 4⅛
Chrysler	3,134,200	16⅛	...
Gen Motors	2,601,900	37½	- ⅝
Wendys	2,411,800	12⅜	...
Hanson	2,327,200	18⅜	+ ½
Navistar	2,302,200	3⅞	+ ⅛
Ford	2,256,700	36⅞	- ¼

TRADING ACTIVITY

† Volume Millions	Feb 18	Feb 14	Feb 13
New York SE	231.803	214.840	229.360
Amex	20.001	16.822	17.308
NASDAQ	218.700	206.288	260.995
NYSE			
Issues Traded	2,229	2,196	2,188
Rises	702	791	595
Falls	1,076	904	1,116
Unchanged	451	500	477
New Highs	119	95	112
New Lows	33	17	11

CANADA

TORONTO	Feb 18	Feb 17	Feb 14	Feb 13	1992 HIGH	1992 LOW
Metals & Minerals	3138.01	3147.14	3120.63	3076.13	3238.87 (16/1)	2935.22 (2/1)
Composite	3551.20	3570.80	3573.89	3581.76	3666.00 (16/1)	3493.66 (2/1)
MONTREAL Portfolio	1855.78	1871.68	1872.65	1878.66	1937.59 (16/1)	1855.78 (18/2)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. In yesterday's first edition, the New York indices shown should have been dated Feb. 11,12,13 & 14.

	Feb 19	Feb 18	Feb 17	Feb 14	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1622.3	1626.7	1614.2	1618.9	1675.60 (15/1)	1590.90 (7/2)
All Mining (1/1/80)	707.7	710.2	701.3	701.9	710.20 (18/2)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	449.57	452.98	456.17	445.85	456.17 (17/2)	372.24 (2/1)
Traded Index (2/1/91)	1075.85	1083.85	1094.29	1066.85	1094.29 (17/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1164.68	1170.08	1164.84	1158.37	1183.78 (28/1)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	356.79	351.04	351.72	352.65	365.29 (15/1)	350.79 (19/2)
FINLAND						
HEX General (28/12/90)	909.8	909.0	904.9	901.9	909.00 (18/2)	779.00 (2/1)
FRANCE						
CAC General (31/12/82)	509.14	507.8	503.45	504.37	509.14 (19/2)	475.53 (2/1)
CAC 40 (31/12/87)	1915.41	1912.21	1882.07	1865.11	1915.41 (19/2)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	689.48	691.1	685.61	686.71	691.10 (18/2)	643.26 (8/1)
Commerzbank (1/12/53)	1951.30	1956.5	1940.2	1943.0	1956.50 (18/2)	1813.80 (8/1)
DAX (30/12/87)	1687.79	1694.99	1681.07	1676.48	1694.99 (18/2)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4725.70	4747.1	4719.19	4772.32	4772.32 (14/2)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1435.79	1437.82	1442.54	1441.51	1469.57 (17/1)	1391.49 (8/1)
ITALY						
Banca Com. Ital. (1972)	531.27	526.89	533.18	531.21	551.59 (6/2)	507.43 (2/1)
MIB General (2/1/87)	1049.0	1043.0	1048.0	1048.0	1086.00 (5/2)	983.00 (2/1)
JAPAN						
Nikkei (16/5/49)	20618.30	20872.03	21324.98	20803.86	23801.18 (6/1)	20618.30 (19/2)
Tokyo SE (Topix) (4/1/68)	1520.62	1539.99	1569.83	1565.31	1763.43 (6/1)	1520.62 (19/2)
2nd Section (4/1/68)	2362.10	2373.79	2376.13	2388.79	2459.85 (6/1)	2283.71 (28/1)
MALAYSIA						
KLSE Composite (4/4/86)	618.72	607.67	597.78	595.75	618.72 (19/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	289.1	290.2	287.9	288.0	290.20 (18/2)	274.00 (8/1)
CBS All Shr (End 1983)	203.0	203.8	202.2	202.2	203.80 (18/2)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	672.91	687.19	685.21	696.30	748.03 (17/1)	672.91 (19/2)
PHILIPPINES						
Manila Comp (2/1/85)	1141.01	1176.57	1179.10	1201.75	1303.30 (17/1)	1141.01 (19/2)
SINGAPORE						
SES All-Singapore (2/4/75)	404.35	403.26	401.44	404.54	416.99 (21/1)	401.19 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1232.0	1255.0	1290.0	1309.0	1327.00 (21/1)	1119.00 (2/1)
JSE Industrial (28/9/78)	4328.0	4349.0	4428.0	4461.0	4535.00 (15/1)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	648.13	638.22	640.14	658.63	691.48 (8/2)	604.63 (15/1)
SPAIN						
Madrid SE (30/12/85)	260.23	260.57	259.24	258.77	260.57 (18/2)	238.93 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	933.1	939.9	940.8	938.9	989.20 (20/1)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	788.2	792.1	788.5	785.5	792.10 (18/2)	748.50 (8/1)
SBC General (1/4/87)	634.4	636.7	633.0	631.6	636.70 (18/2)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4839.42	4766.91	4859.48	5023.41	5391.63 (30/1)	4692.17 (6/1)
THAILAND						
Bangok SET (30/4/75)	806.51	(c)	816.50	805.78	816.50 (17/2)	711.81 (3/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	505.9*	511.5	515.9	513.2	542.10 (7/1)	505.90 (19/2)
Euro Top-100 (26/6/90)	918.96	922.16	913.55	908.39	923.01 (28/1)	870.31 (2/1)

**Saturday February 15: Taiwan Weighted Price: 4692.53. Korea Comp Ex. 647.71.
Δ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 19 February 1992

	Stocks Traded	Closing Prices	Change on day
Gunma Bank	6.0m	1,010	-40
Nippon Steel	4.5m	347	0
Hitachi	4.3m	848	-12
Matsushita Wks	4.2m	1,210	-20
Shizuoka Bank	3.3m	1,200	-70
Sumitomo Metal	3.2m	340	-2
Keihin Express	3.1m	800	-5
Kawasaki Heavy	3.0m	485	-5
Mitsui	1.9m	853	-22
Mitsubishi Est	1.9m	1,050	-30

3:00 pm prices February 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12¾	AAR Corp	0.48	3.1	17	611	15½	15⅛	15½	+½
26	20⅞	A L Labs A	0.16	0.8	23	288	21⅛	d20⅝	21⅛	+¼
68¾	58¼	AMP Inc	1.52	2.4	26	1272	62⅞	62½	62¾	-⅛
77	68⅞	AMR				286318	u77⅛	76⅝	76⅞	+⅜
2⅞	1⅞	ARX			2	3	2¼	2⅛	2⅛	-⅛
53½	46¼	ASA x	2.75	5.6	14	216	50	49⅝	50	+½
68⅞	60¾	Abbott Lab	1.00	1.6	24	5755	62⅞	61⅞	62	-1
13¼	12⅞	Abitibi Pr	0.50	3.9	17	2	13	12⅞	12⅞	
11⅝	10½	ACM Gvt In x	0.86	8.1		226	10⅝	d10½	10½	-⅛
10⅞	9¼	ACM GvOpp x	0.80	8.6		44	9¼	d9¼	9⅜	-⅛
9½	8⅝	ACM Gvt Sp	1.01	11.5		252	8⅞	d8⅝	8¾	
11¼	10⅛	ACM Gvt Se	1.28	12.0		1030	10⅝	10½	10½	+⅛
9⅞	8⅝	ACM Men x	0.85	10.3		300	9¼	9⅛	9¼	+⅛
12⅞	10⅞	ACM Mangd x	1.08	8.7		342	11⅞	11⅛	11¼	-⅛
10⅛	7	Acme Cleve	0.40	4.2	18	133	9¾	9½	9⅝	
6⅛	4½	Acme Elect			3	58	5	4⅝	5	
33¼	21¼	Acuson			13	1464	21¾	d21¼	21½	+¼
19⅞	18½	Adams Expr x	0.48	2.5	0	40	19⅛	18⅞	19	-⅛
16½	13	Adobe12Pf	2.40	16.3		23	14¾	14¾	14¾	-⅛
6⅜	4½	Adobe Res			49	439	5⅛	5	5	
49⅛	42¼	Ad Micro				176	46¼	45½	45½	-¼
21½	17⅞	Ad Micro P	3.00	15.6		129300	19⅜	19	19⅛	-⅛
7⅝	5	Advest Grp	0.16	2.1	31	442	u7⅝	7¼	7½	+⅛
71¼	68⅜	Aegon ADR			6	16	68½	d68⅜	68⅜	
47	39	Aetna Lf	2.76	5.9		71970	u47	46½	46½	-⅛
11⅛	8⅜	Ahll A x	0.24	2.4	71	342	10⅛	10	10	
32⅞	29⅜	Ahlec x	0.40	1.4	16	694	29¾	d29⅛	29¼	-½
18¾	16⅝	Ahmanson x	0.88	4.8		82378	18⅝	18¾	18½	+⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Quote	Close Prev. Close Ch'ge
86¼	77¼	RylDutch	4.23	5.5		116415	77¼	d76¾	76¾	-1¼
11½	10¼	Royce Val	1.22	10.7		309	11⅞	11¼	11⅞	+⅛
37¼	32	Rubbermaid x	0.34	1.1		311827	32	d31¾	32	
18⅝	14⅞	Ruddick	0.24	1.3	14	118	u18½	18¼	18¼	
26	18	RussBerrie	0.60	2.4	22	185	25	24¼	25	+¼
1⅝	1	Russ Togs	0.20	13.3	0	177	1½	1⅜	1½	
40¾	33½	Russell Cp	0.32	0.8	27	116	38⅝	38¼	38¼	-⅜
24⅞	19⅝	Ryder Syst	0.60	2.4	29	1760	24½	24¼	24½	
28	22¼	Ryland Grp	0.60	2.2	22	75	27¼	27⅛	27¼	

- S -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Quote	Close Prev. Close Ch'ge
21	17½	S Anita Rt	1.38	7.1	17	47	19½	19⅜	19⅜	
18⅞	15¾	SCOR US Cp	0.24	1.3	10	28	18¾	18	18¾	
29½	24¾	SPS Techno	1.28	4.6	21	236	27⅞	27¾	27⅞	-⅛
⅞	¹³⁄₁₆	Saatchi&S	0.19	21.7		17074	u⅞	¹³⁄₁₆	⅞	+¹⁄₁₆
13	12¼	Sabine Rt z	1.31	10.5	7	39	12⅝	12½	12½	-¼
11⅞	9½	Safecard	0.15	1.4	10	499	10⅞	10⅞	10⅞	-⅛
16	14⅛	Safeg'd Sc			6	24	14⅞	14¾	14⅞	
28¾	25⅛	SafetyKln	0.34	1.3	28	927	27	26⅜	26⅝	+⅛
20¼	17⅜	Safeway				362804	17⅜	d16⅞	17¼	-⅛
4⅝	3¼	SafewayWtS				27	3¾	d3⅝	3⅝	-⅛
35⅝	29⅞	StJoePaper	0.20	0.6	46	28	35½	34⅞	35	-⅛
34¾	32⅜	StJoeL&P	1.72	5.2	13	7	33¼	32⅞	33¼	+⅜
75¾	68½	St Paul's	2.72	3.7	7	266	74	72¼	73⅝	+¾
7¾	2⅞	Salant Crp			0	70	6⅛	5¾	6⅜	-⅜
75½	67	Sallie Mae	1.00	1.5		181514	67½	d66¾	66½	-¾
14¾	13⅝	Salomon Br	1.61	11.6		630	14⅛	13⅞	13⅞	-¼
32½	28⅜	Salomonlnc	0.64	2.2		74684	29¾	29⅛	29⅛	-⅝

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Quote	Close Prev. Close Ch'ge
1⅜	½	Zapata			28	851	1¼	1	1⅛	
11¼	7¼	ZenithElec			5	827	10⅝	10⅝	10½	-⅛
16⅞	15¾	Zenith Nat	1.00	6.4	7	132	15⅝	d15½	15½	-¼
6¾	6	Zenix Inc x	0.84	12.9		74	6⅝	6½	6½	
13⅝	11⅛	Zero Corp	0.40	3.0	20	180	13⅜	13⅛	13¼	+⅛
38	34¼	Zurn Ind	0.88	2.5	15	81	34⅝	34½	34⅝	
14¼	13¼	Zweig Fund	1.16	8.8		357	13½	13⅜	13½	
11	10½	Zweig Totl x	0.96	9.2		1359	10⅝	d10⅜	10⅜	-⅛

Price data supplied by Telekurs.

The problem at Telekurs which led to some North American stocks being temporarily marked xd early has now been rectified.

Yearly highs and lows reflect the period from Jan 1. excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices February 19

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Olsten x	0.24	30	192	28¼	27½	28¼	+⅝
OMI Corp	0.14	7	26	7½	d7⅜	7⅜	-⅛
Pall Corp	0.36	32	1224	30	29⅝	29⅞	+⅝
Pegasus G	0.10	8	864	u14⅛	13⅞	14	+¼
Perini		49	41	13½	13¼	13½	-¼
Pet Ht&P	0.31	6	18	10½	d10¼	10¼	-¼
Phil LD	0.18	15	792	31¼	30⅝	31¼	+⅜
Pittway A	1.10	12	5	29	28¾	29	
Ply Gem x	0.12	153	88	11⅛	10⅝	10¾	-½
PMC	0.82	16	10	9¾	9¾	9⅞	
PresidioA	0.10	2	20	3¼	3⅛	3⅛	-¼
Price Com		0	207	¼	¼	¼	

NASDAQ NATIONAL MARKET

3:00 pm prices February 19

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Wolf Expl		0	227	⅜	¹¹⁄₁₆	⅜	+¹⁄₁₆
WrExWSIA			190	³⁄₃₂	¹⁄₁₆	¹⁄₁₆	-¹⁄₃₂
Wthington	0.44	31	700	26	25⅛	25⅛	-1
WPP Group	1.11	2	2163	2⅞	2⅝	2⅞	+⅜
Wyman-Gdn	0.40	12	1534	5¾	4⅜	4½	-1¼

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		29	1835	29¼	28¼	28¼	-¼
Xoma Corp		13	7075	23½	22¼	23	-½
Yellow Fr	0.94	32	1333	31½	31	31⅛	+⅛
York Rsch		55	1707	6⅞	6½	6⅝	-⅛
ZionsUtah	1.44	10	z100	u48½	47½	48½	

FINANCIAL TIMES Thursday February 20 1992

AMERICA

Broader market fails to respond as Dow rises

Wall Street

US BLUE chips showed gains that the broader market was unable to register yesterday, as investors encouraged by January economic data bought economically-sensitive Dow stocks, writes *Karen Zagor in New York.*

At 1.30 pm, the Dow Jones Industrial Average was up 10.96 at 3,235.69 in moderate volume after posting modest losses in the first half hour of trading. On the big board, advancing issues led those declining by a ratio of three to one.

The gains were less pronounced on the Standard & Poor's 500, which added 0.49 to 407.87 at 12.30 pm, while secondary stocks posted losses in the morning, with the Nasdaq composite sliding 4.78 to 621.63.

Hewlett-Packard, the computer company, jumped $6¼ to $70⅝ after turning in first quarter profits of $1.10 a share against 83 cents last year.

Rohr, an aircraft component manufacturer, dropped $2¼ to $17⅞. Rohr said that it may face a federal indictment following a government investigation of faulty testing which might bar it from winning future government contracts.

Among active blue chip issues, AT&T gained $¾ to $38¼, Ford Motor advanced $1¼ to $38¼ and General Motors rose $⅞ to $38⅛.

News of reduced reserve requirements lifted some bank stocks for a second day. Citicorp added $⅛ to $17 and Banc One was $1 higher at $47⅞.

Bank of Boston firmed $1⅛ to a 52-week high of $17¼ after the stock was added to Donaldson, Lufkin & Jenrette's recommended list.

News that Kroger, one of the largest US supermarket chains, plans to buy back up to $100m of high-yield debt had little impact on the company's stock, which was unchanged at $17¾ at mid-session.

Biotechnology stocks led the secondary market lower. Centocorp fell $5¾ to $35½ in very heavy over-the-counter trading after the company said that the Food and Drug Administration had raised questions about its important Centoxin drug to treat septic shock. Centocor also posted a fourth quarter loss of $1.19 a share.

A series of disappointing corporate results also contributed to the secondary market's slide. Fleer dropped $2 to $22¼ on the back of fourth quarter earnings of 10 cents a share compared with 27 cents a year earlier. Analysts had expected earnings of about 30 cents in the latest quarter.

Mail Box lost $3¾ to $35¼ after turning in third quarter earnings of 30 cents a share, below earlier estimates of 35 cents but above the 24 cents a share reported the previous year.

Shares in Disney fell $⅜ to $146¾ in spite of news that its "Beauty and the Beast" film had become the first animated film to be nominated for an Academy Award. The stock gained $3⅝ on Tuesday after the entertainment group announced plans for a four-for-one stock split. Among other entertainment companies, Sony eased $⅛ to $30⅞.

Canada

A rebound in the US bond market helped Toronto stocks recover from early weakness to trade unchanged at midday. Inflationary fears eased following a rise of 0.1 per cent in the US January consumer price index. The TSE 300 composite index was 3.6 higher at 3,547.6 in midsession. Volume was 15.3m shares.

Canadian Occidental fell C$2¾ to C$24¾. Occidental Petroleum said it will sell about half its stake in Canadian Occidental, or about 12m shares, at C$25.75 each.

Istanbul holds its breath ahead of reforms

John Murray Brown examines Turkish government proposals for the equity market

Turkey's stock exchange, like a nervous debutante waiting to be asked to dance, is holding its breath as the government puts the finishing touches to the reform package which helped take Istanbul's 75-share index to a 1992 peak of 5,128.91 a month ago.

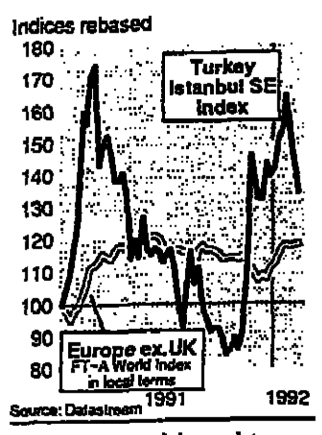
There has been some profit-taking recently by investors who feel that the market may have already discounted the impact of the reforms. It has come a long way from a low of just over 2,500 last October. Yesterday the index closed 7.74 down at 4,174.22, compared with over 5,400 in February 1991, and its all-time high of 5,749 on August 2, 1990, the day Iraq invaded Kuwait.

Trading in 135 stocks, Istanbul's equity market is still considered undervalued on a price/earnings ratio of 12, compared with around 24 for the US. It is hoped that the reforms will bridge some of the gap.

One proposal is to allow insurance companies and pension funds to invest in the stock market – providing some badly needed liquidity. Other measures seek to give increased investor protection by tightening up on insider trading, and regulating the actions of fund managers.

At present, trades are frequently not booked in the client's name, which enables the bank or the broker to use their clients' portfolios for their own trading purposes; for example, selling the market short. Officials say that this will now be regulated.

Settlement is a major headache, particularly for foreign investors. There is a proposal to introduce a two-week account period. Currently, deals have to be settled within 48 hours. Companies are also required under capital market rules to distribute a fixed percentage of their profits as dividends. In the past, say brokers, this resulted in a deluge of rights issues, with the inevitable dilution. As a result, the stock market's earnings per share, measured in real terms, have actually fallen over the past three years.



Source: Datastream

There is also an increasing expectation that Mrs Tansu Çiller, the economics minister, will go further in pushing for wide-ranging legislation to regulate the market and at the same time attract new investment.

The government has already announced a change in the withholding tax on treasury bills which will encourage investors to move funds to the stock market. And, from February, banks will have to separate their capital markets departments from general banking activities, putting them on an even footing with the brokers. Banks hitherto have used their foreign exchange and interbank lending departments in support of their broking activities, giving them a clear advantage over brokerage houses.

Market leaders in Turkey include Arçelik, the consumer electronics subsidiary of Koç Holding, Turkey's largest trading conglomerate. Construction companies with interests in the former Soviet Union are also attracting attention as Turkish businessmen eye up opportunities in the new republics. Of the key industrial sectors, cement remains attractive.

Brokers say that there is still plenty of money in the market, pointing out that daily trading volume has increased by more than three times since the general election last October. However, there remain serious liquidity constraints. One analyst estimates that, of the total market capitalisation of TL83,460bn ($14.5bn), perhaps as little as TL18,000bn is available to investors.

A broker's analyst said: "The market basically seizes up if the volume goes above $100m." Computerisation, due to be introduced in 1993, may help to ease this problem, but fundamental, structural issues need to be addressed.

Investors are more concerned at the lack of clarity in the regulatory stance of the Capital Markets Board, the government authority which oversees the market. They also want the government to tackle the problem of persistently high inflation which, at 70 per cent, is eroding corporate earnings.

ASIA PACIFIC

Nikkei declines to lowest level since October 1990

Tokyo

POLITICAL disquiet and corporate earnings worries at home, and the setback for President George Bush in the New Hampshire presidential primary, left Japanese equity markets nervous yesterday, and the Nikkei average fell to its lowest level since October 1990, *writes Emiko Terazono in Tokyo.*

Small-lot selling by arbitrageurs and companies, in thin trading, took the Nikkei 253.73 lower to 20,618.30 after opening at the day's high of 20,793.77. The index reached the session's low of 20,485.72 in the morning, subsequently recovering some ground on light bargain hunting.

A succession of poor earnings results put the market in a sombre mood, along with the domestic parliamentary hearing on the Kyowa bribery scandal and worries that New York could tumble on the New Hampshire primary news.

Volume again totalled 200m shares. Declines led advances by 732 to 219, with 151 issues unchanged, the Topix index of all first section stocks retreated 19.37 to 1,520.62, and in London the ISE/Nikkei 50 index eased 1.70 to 1,159.90.

Some investors fear that a recovery for Japanese companies may be delayed. The yen's decline against the dollar also discouraged market participants. The US currency extended its rally to close Y1.03 higher at Y128.20. The yield on the benchmark bond also rose, as a weaker yen implied higher inflationary pressures.

Share prices failed to respond to calls for strong economic stimulus measures, including a cut in the official discount rate, by Mr Tamisuke Watanuki, secretary-general of the ruling Liberal Democratic Party. Mr Ross Purdie at S.G. Warburg said that the Bank of Japan will not lower interest rates as long as pressure from politicians persists.

Sony dropped Y160 to Y4,000 on a downward revision of its earnings. It said that its parent company operating result would fall Y20bn into the red for the current year to March.

The announcement dragged down other electronics companies, with NEC falling Y40 to Y1,050 and Fujitsu Y12 to Y743. TDK lost Y210 to Y4,080 on reports of a sharp decline in earnings for the current year.

Banks lost ground on selling by companies wishing to realise profits ahead of the March year-end book closing. Industrial Bank of Japan receded Y180 to Y2,500 and Bank of Tokyo Y50 to Y1,210.

Non-life insurers declined on foreign investor selling. Traders said foreigners had previously bought heavily into the sector, and wanted to lighten their exposure. Yasuda Fire and Marine shed Y17 to Y713.

Sega Enterprises was one of the few gainers of the day, climbing Y300 to Y14,000 on prospects of higher earnings for the current year to March, thanks to brisk US sales of its video game.

In Osaka, the OSE average slipped 201.68 to 22,355.10 in turnover of 116.3m shares. Volume surged on active cross-trading ahead of the year-end book closing.

Roundup

THE PACIFIC Rim was mixed to easier yesterday, though Kuala Lumpur recorded an eight-month high.

KUALA LUMPUR rose to its best level since last June, the composite index adding 11.05, or 1.8 per cent, at 618.72 in volume of 81m shares (65m). Telekom rose 60 cents to M$11.70, with 2.49m shares traded.

HONG KONG eased on profit taking, the Hang Seng index losing 21.40 to 4,725.70 in turnover of HK$1.9bn (HK$1.72bn).

Banks remained firm ahead of today's results from Hang Seng Bank, a subsidiary of Hongkong & Shanghai Banking, which are forecast to show a 30 per cent increase in profits. Hang Seng put on 25 cents to HK$21.10, while the parent group was unchanged.

SINGAPORE firmed in active trade dominated by Malaysian stocks. The Straits Times Industrial index gained 9.42 to 1,511.22 in volume of 86m shares. Analysts said reports of cuts in Malaysian interest rates created demand for Malaysian stocks.

SEOUL staged a technical rebound after three days of decline. The composite index ended 9.91 up at 648.13. Electronics issues remained depressed on concern over financial problems affecting the sector.

TAIWAN rallied after falls earlier in the week. The weighted index improved 72.51, or 1.5 per cent, to 4,839.42 in turnover of T$24bn.

BANGKOK suffered its largest one-day fall in almost three months as the SET index shed 9.99 to 806.51 in turnover of Bt10.52bn. Bangkok Land, Tanayong and Bangkok Bank lost Bt6, Bt12 and Bt24 to Bt200, Bt145 and Bt664 respectively after the Stock Exchange said that buying of these shares could only be done by cash.

JAKARTA fell sharply, closing 6.55 down at 280.20 in volume of 5.8m shares. Astra International weakened a further Rp550 to Rp13,050.

MANILA's composite index dropped 35.56 to 1,141.01, pulled down by a 4 per cent fall in Philippine Long Distance Telephone, which lost 35 pesos to 835 pesos. Turnover shrank to 41m pesos from 71m pesos.

AUSTRALIA succumbed to offshore selling. The All Ordinaries index dipped 4.8 to 1,622.3, but News Corp gained 6 cents at A$18.30. Turnover was moderate at A$234.3m.

NEW ZEALAND ended steady after earlier declining about 16 points on the NZSE-40 capital index, which finished a net 0.62 up at 1,473.65.

EUROPE

Foreigners continue to buy French cyclicals

THE CONTINENT put in a mixed performance yesterday, *writes Our Markets Staff.*

PARIS reinforced Tuesday's gains as foreign investors, including the Japanese, continued to buy stocks with exposure to cyclical industries and to the US economy. But some analysts feared that the optimism was premature. The CAC-40 index rose 3.20 to 1,915.41 in heavy turnover of FFr2.6bn.

Rhône-Poulenc saw its investment certificates rise FFr22 or 3.9 per cent to FFr587 with a respectable 153,375 units traded as the market gave an unexpectedly good reception to its lukewarm 1991 results. Analysts were cheered by the message given at a meeting with the company, that a further recovery in earnings could be expected in 1992 and 1993, with the extra help from a lower tax charge.

Cerus, the French holding company of the Italian entrepreneur Mr Carlo de Benedetti, rose FFr4.70 or 4.1 per cent to FFr120 in a heavy 312,150 shares on rumours that it would sell its 36 per cent stake in the car components manufacturer Valeo or, alternatively, buy in the outstanding shares. Analysts said the former had more credibility, given the fragile financial position of Olivetti.

Accor, the hotels group, rose FFr15 to FFr761 with 117,400 shares traded on news that SGB was likely to increase its holding.

FRANKFURT weakened as it pondered the New Hampshire primary in the US, concluded that a strong dollar could be a two-edged sword, and moved towards DTB closure day tomorrow. After a 1.62 decline to 689.48 in the FAZ index at midsession, the DAX finished 7.20 lower at 1,687.79 after a half-hearted attempt at the 1,700 level.

Siemens dropped DM5.10 to DM670.90 as it topped active stocks in turnover of DM1.04bn, very high in the context of total turnover of DM5.3bn, down from DM6.5bn.

FT-SE Eurotrack 100 - Feb 19

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1143.15	1142.67	1141.71	1140.66	1139.69	1139.60	1140.51	1140.09

Day's High 1143.29 Day's Low 1138.92

Feb 18	Feb 17	Feb 14	Feb 13	Feb 12
1143.83	1135.65	1130.78	1136.68	1136.12

Base value 1000 (26/10/90).

Daimler led carmakers down with a DM6.90 fall to DM734.60 as some analysts lowered their forecasts following reports that its models saw a 15 per cent year-on-year drop in new registrations in western Europe in January, and that the company expects to cut production this year.

Retailers, which had a good run on this week's tax package, ran into profit-taking, Douglas falling DM15 to DM645, Asko by DM17 to DM738 and Kaufhof by DM6 to DM487.50.

MILAN overcame an uncertain start and consolidated the previous day's late gains as turnover improved to between L95bn-L100bn from L89bn. The Comit index rose 4.38 to 531.27.

Among industrials, Fiat added L58 to L4,740 while in insurers, Generali was officially fixed at L30,535, up L375. Rumours of a rights issue pushed Ras down by L250 to L22,150.

Olivetti rose L87 or 3.2 per cent to L2,807 on expectations of a turnround in 1992, but the buying was described as speculative. Montedison was another gainer, as investors re-assessed the Beghin-Say/Eridania restructuring in a more favourable light. The stock rose L22 to L1,356 in heavy trading.

The state-controlled cement group Cementir was suspended yesterday ahead of IRI's announcement of the winning bidder for its 52 per cent stake in Cementir. The stock is due to be re-quoted today.

AMSTERDAM, after moving strongly in the morning, fell back on nervousness over a weaker Wall Street and closed barely changed on the day, up 0.1 at 123.7 in turnover of Fl 676.5m.

Royal Dutch, which reports its 1991 results today, lost Fl 2.30 to Fl 142.10. Most analysts are expecting to be disappointed, given a generally poor fourth quarter for the European petrochemical industry. Among other blue chips, Unilever recorded another record high, gaining Fl 2.30 to Fl 192.20, helped by a stronger dollar, Elsevier moved ahead Fl 0.20 to Fl 109.70, while Philips was off Fl 0.50 to Fl 32.40 on rumours of a rights issue.

Begemann, the engineering group, which has been weak over the last few days, came back Fl 5.00 to Fl 103.00, helped by favourable local press comment.

STOCKHOLM saw a 3.3 per cent drop in the banking and finance sector as the Affärsvärlden General index closed 6.8 lower at 933.1.

Worries over loan losses were intensified by the suspension of payments by Reinhold, the property company. Among Reinhold's main creditors, SE Banken and Handelsbanken both fell, SE Banken C shares by SKr3 to SKr44 and Handelsbanken B by SKr4 to SKr78.

OSLO closed at its lowest level this year, depressed by a weak oil price. The all-share index fell 9.08 to 413.86 in turnover of NKr205m. Norsk Hydro, which is expected to announce a net loss for 1991 today, fell NKr4 to NKr139.

MADRID closed down 1.18 at 260.23 with Telefónica actively traded after reports about its pension scheme plans sent the shares to a day's low of Pta1,185. However, it recovered to close down Pta40 at Pta1,200.

ZURICH ended a quiet session slightly lower, the SPI index losing 5.0 at 1,122.5. Some cyclicals continued to attract interest, Alusuisse bearers closing SFr17 higher at SFr970. VIENNA's 18-share ATX index fell 8.10 to 1,075.85.

SOUTH AFRICA

JOHANNESBURG fell in nervous trade before the Potchefstroom by-election results. A firmer financial rand was to blame. The overall index fell 22 to 3,538, with golds down 22 at 1,232 and industrials losing 19 to 4,328.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY FEBRUARY 18 1992								MONDAY FEBRUARY 17 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	145.62	+0.7	123.30	117.82	124.77	128.62	+0.8	4.30	144.57	120.82	116.01	121.99	127.55	160.31	112.74	133.14
Austria (20)	182.10	−2.5	154.19	147.34	156.02	155.68	−0.9	1.65	186.70	156.03	149.82	157.54	157.33	222.37	153.86	222.37
Belgium (46)	137.48	−1.2	116.40	111.23	117.79	114.93	+0.2	5.12	139.21	116.34	111.70	117.46	114.66	151.20	118.04	150.99
Canada (115)	134.46	−0.8	113.85	108.79	115.20	115.82	−0.6	3.18	135.51	113.25	108.74	114.34	116.57	144.28	126.49	139.96
Denmark (36)	248.33	−1.7	210.26	200.93	212.77	215.48	−0.1	1.66	252.56	211.07	202.68	213.11	215.81	273.94	217.74	270.56
Finland (15)	86.07	−1.7	72.88	69.64	73.75	81.18	−0.2	2.45	87.55	73.17	70.26	73.87	81.37	125.15	73.32	111.90
France (108)	149.79	−0.2	126.83	121.19	128.33	131.70	+1.2	3.37	150.09	125.43	120.43	126.63	130.07	154.70	119.11	146.58
Germany (65)	116.82	−0.7	98.91	94.53	100.08	100.08	+0.8	2.31	117.62	98.30	94.40	99.25	99.25	125.35	94.15	125.35
Hong Kong (55)	197.17	+0.5	166.94	159.53	168.94	196.51	+0.6	3.86	196.17	163.94	157.41	165.53	195.28	198.44	119.62	141.22
Ireland (18)	163.10	−1.8	138.10	131.96	139.74	141.64	−0.4	3.61	166.07	138.79	133.27	140.13	142.16	182.46	132.88	164.65
Italy (77)	73.42	−2.8	62.17	59.40	62.90	67.83	−1.3	3.41	75.53	63.12	60.60	63.73	68.70	89.23	64.76	87.53
Japan (473)	118.22	−2.3	100.10	95.65	101.30	95.65	−1.5	0.89	120.95	101.08	97.06	102.07	97.06	146.97	118.22	145.91
Malaysia (68)	245.33	+1.5	207.73	198.49	210.19	245.15	+1.5	2.69	241.76	202.05	194.00	203.99	241.58	247.78	189.18	229.48
Mexico (18)	1674.31	+1.6	1417.65	1354.70	1434.53	5608.22	+1.6	0.99	1648.24	1377.49	1322.66	1390.77	5518.92	1674.31	534.45	603.30
Netherland (31)	149.75	−0.8	126.79	121.16	128.31	126.65	+0.7	4.27	150.91	126.12	121.10	127.34	125.73	156.48	125.70	144.04
New Zealand (14)	45.30	−0.1	38.36	36.65	38.81	44.48	+0.0	6.18	45.35	37.90	36.39	38.26	44.50	54.64	41.18	50.62
Norway (24)	168.13	−1.2	142.35	136.03	144.05	147.25	+0.2	1.80	170.21	142.25	136.59	143.62	146.93	223.24	157.08	210.83
Singapore (38)	218.19	+0.3	184.74	176.54	186.94	165.15	+0.7	2.11	217.59	181.85	174.61	183.60	163.95	228.43	151.63	191.34
South Africa (61)	227.56	−1.2	192.67	184.11	194.96	179.25	−2.3	2.78	230.30	192.47	184.80	194.32	183.39	271.99	173.00	198.59
Spain (52)	156.42	−0.3	132.45	126.57	134.02	122.16	+1.0	4.54	156.90	131.13	125.91	132.39	121.01	171.12	131.51	165.19
Sweden (25)	174.43	−1.3	147.69	141.14	149.46	154.36	+0.2	2.89	176.76	147.72	141.85	149.15	154.06	204.12	146.60	185.40
Switzerland (59)	98.14	−1.2	83.10	79.41	84.10	90.60	+0.6	2.21	99.32	83.01	79.71	83.82	90.08	104.22	82.17	99.74
United Kingdom (233)	178.44	−0.7	151.09	144.37	152.87	151.09	+0.6	4.92	179.68	150.17	144.18	151.60	150.17	187.44	156.27	161.19
USA (523)	166.31	−1.2	140.81	134.57	142.50	166.31	−1.2	2.94	168.35	140.70	135.11	142.06	168.35	171.66	125.95	149.55
Europe (809)	144.17	−0.8	122.07	116.65	123.53	123.50	+0.6	3.90	145.37	121.49	116.66	122.67	122.77	161.62	125.50	149.13
Nordic (100)	174.22	−1.5	147.51	140.96	149.27	147.30	+0.0	2.19	176.84	147.79	141.91	149.22	147.27	200.81	155.55	191.44
Pacific Basin (717)	121.70	−1.9	103.04	98.47	104.27	99.59	−1.2	1.23	124.08	103.70	99.58	104.70	100.80	145.92	117.88	144.93
Euro−Pacific (1526)	130.96	−1.4	110.88	105.95	112.20	109.80	−0.4	2.41	132.66	111.05	106.62	112.11	110.25	147.66	121.29	147.01
North America (638)	164.28	−1.2	139.10	132.94	140.78	162.87	−1.2	2.95	166.27	138.95	133.44	140.32	164.63	169.69	125.91	148.87
Europe Ex. UK (576)	123.41	−0.9	104.49	99.87	105.76	107.47	+0.6	3.17	124.55	104.09	99.97	105.12	106.84	129.80	103.58	129.34
Pacific Ex. Japan (244)	156.06	+0.7	132.14	126.29	133.73	139.80	+0.8	3.82	155.02	129.56	124.42	130.82	138.70	166.06	111.40	132.54
World Ex. US (1720)	133.12	−1.4	112.72	107.72	114.06	112.06	−0.4	2.42	135.00	112.82	108.34	113.91	112.55	148.16	122.32	147.55
World Ex. UK (2010)	139.97	−1.4	118.52	113.26	119.94	126.53	−0.9	2.36	141.95	118.63	113.92	119.79	127.67	150.58	120.06	143.75
World Ex. So. Af. (2182)	142.79	−1.3	120.90	115.54	122.35	128.38	−0.7	2.82	144.70	120.93	116.13	122.10	129.32	153.05	122.82	146.76
World Ex. Japan (1770)	157.91	−0.9	133.70	127.78	135.32	147.81	−0.5	3.31	159.42	133.23	127.94	134.54	148.49	161.90	126.69	149.12
The World Index (2243)	143.32	−1.3	121.35	115.96	122.80	128.84	−0.7	2.62	145.23	121.38	116.55	122.56	129.80	153.70	123.28	147.07

Latest prices were unavailable for this edition.

VEHICLE FLEET MANAGEMENT

Many companies consider the cycle of purchase, operation and disposal of car fleets to be an obvious area for cutbacks and savings. **John Griffiths** investigates the severe effect on the motor industry, as operators review their policies on replacement of vehicles and contemplate the alternative of giving employees cash

Brakes on in the car park

AS RECESSION has tightened its grip in the UK and other leading European countries, so the business sector has looked with growing urgency for ways of cutting costs.

Not without reason, attention has been drawn ever more closely to the company car park.

For whereas the operation of vans, trucks and other commercial vehicles is an unglamorous business in which cost control is paramount, the large "perk" proportion in company cars, the perceived status and *other emotive issues involved* in their provision, and – not least – their use as a magnet to attract key recruits, served to thrust cost from the top of the list of concerns almost throughout the 1980s.

But with UK *unemployment* again creeping towards 3m, the property and other large economic sectors showing scant signs of life, and thousands of companies struggling simply for survival, the 1980s-style preoccupations appear increasingly frivolous. And, as a result of successive UK Budgets, they have also become considerably more expensive to indulge.

Last year the Chancellor, Mr Norman Lamont, hit the motor industry and business car users alike with what both regard as his now-infamous "triple whammy":

- A further increase in tax scale charges payable by employees;
- A hike to *17.5* per cent in VAT, which, unlike any other business good, companies cannot reclaim on car purchases; and
- The imposition for the first time of National Insurance Contributions, payable by the company, on employees' private benefit of their cars.

One effect was to bring to almost tenfold the increase, during the past decade, in the taxable benefit to the employee of his company car. The typical operator of a 1.5 litre car under four years old in 1982-83 paid tax *on* an assessed benefit of £360: in the current year the assessed benefit is £3,250.

For most employees, that remains a very good deal – paying tax at 25 per cent, his newish company car will have cost *him* or *her around £800* in the current tax year, far below the cost of buying and running the same car privately.

The additional cost to employers, however, is much more substantial.

Thus, a *steady* stream of surveys – the latest by the UK's Monks Partnership consultancy group in mid-February – has shown a majority of *companies identifying* the cycle of buying, operating and disposing of their car fleets to be one of the most obvious areas for cutbacks and savings.

To the dismay of car makers, importers and dealers, one of the easiest decisions has been to postpone replacement of cars, which, for most companies in easier times, had taken place in two- or three-year cycles.

Instead, as shown by the Monks Partnership survey of 202 UK companies operating a combined fleet of 115,000 cars, nearly one quarter are requiring *cars to cover more than* 70,000 miles before replacement – up from 8 per cent in 1991 – and 31 per cent are keeping cars more than three years (up from 19 per cent).

Some 120 of the companies, surveyed between December of last year and the end of January, were shown to be contemplating change to their company car *policies this* year. *Of* these, a relative handful – 12 per cent – were contemplating measures which could increase costs while 85 per cent were looking for savings.

No less significantly, for the first time several surveys have identified considerable interest by companies in opting out of the hassles of providing and administering company car fleets altogether, usually by offering a cash alternative.

The complexity of the calculations involved in determining the extent to which such a course might save corporate cash has provided a field day for accountants.

It has also resulted in a flood of often contradictory *data* from various vested interest groups, such as the specialist contract hire, leasing and fleet management companies which make their living from convincing vehicle operators that they can do a better job than "in-house".

There is something *approaching consensus*, however, that probably between one half and two-thirds of company cars are still tax advantageous for companies, although the situation could change, should Mr Lamont decide significant changes in the taxation and other treatment of vehicles and fuel in his forthcoming Budget on March 10.

It is likely, however, that a good many more companies would have already taken the *plunge into* offering cash alternatives, were it not for a number of unresolved VAT and personal taxation pitfalls of which they are deeply fearful.

Their fears are well founded. And the irony is not lost on them *that it is legislation from* a government which committed itself to eradicating the company car "perk" which is helping to retain it.

Much the biggest problem relates to VAT. The courts are testing the decision of Customs and Excise to demand VAT where "cash for cars" schemes are offered, even if most employees decide to keep their cars instead.

To illustrate: if a company *offered its 500 employees £4,000* a year as a cash alternative, and only 10 took up the offer, Customs and Excise would demand from the company VAT on the supply of the retained 490 cars, representing an additional bill for the company of more than £250,000.

Such uncertainties, when combined with those hanging over Mr Lamont's Budget intentions, help explain the continuing sharp fall-off in UK *new* car sales over the past year which has so severely *affected vehicle* makers and importers. From a record 2.3m sales in 1989, the market plunged to just 1.59m last year. Commercial vehicle sales have suffered even more, and are now running at little more *than half the levels* of two years ago.

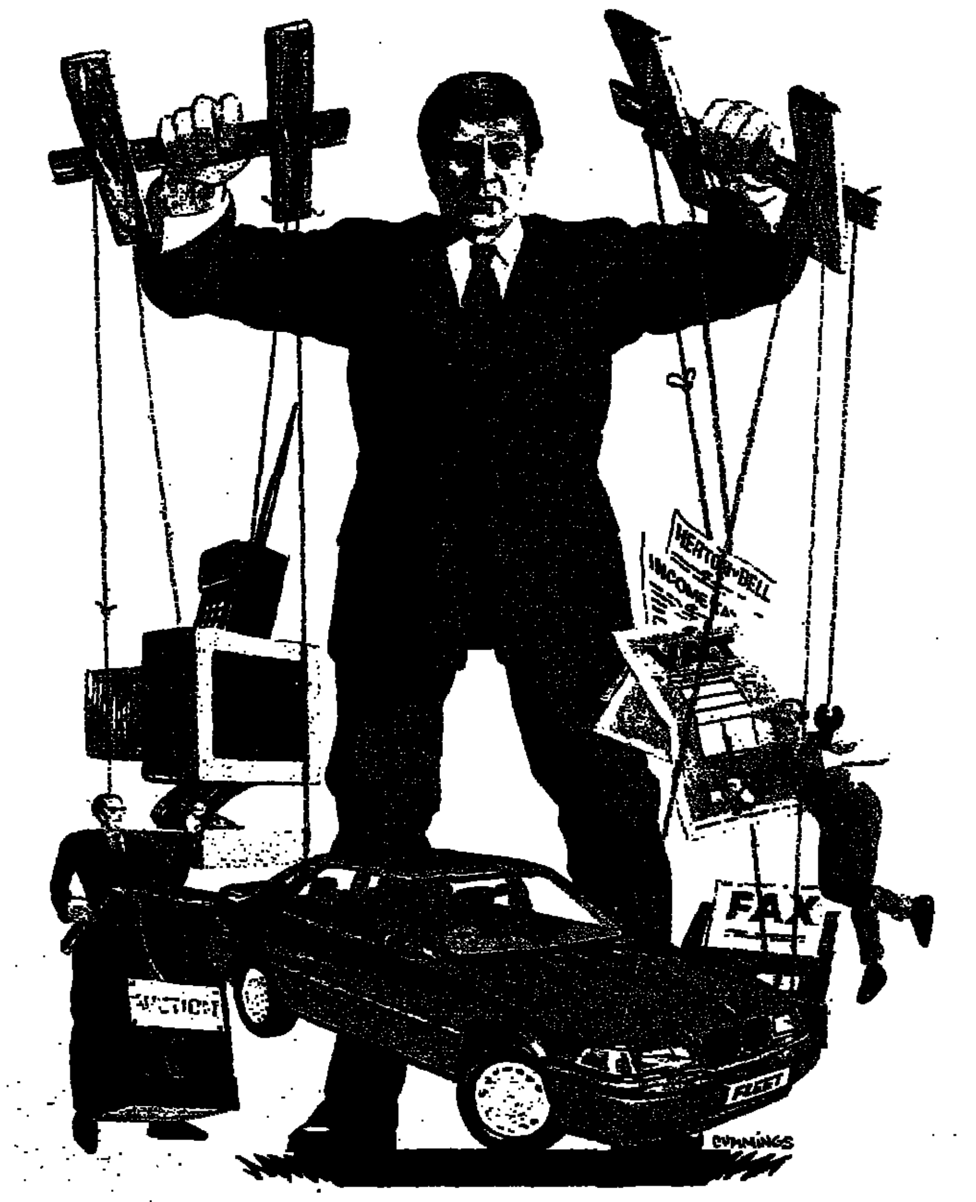
In the past few weeks, the industry has been tossed at least one crumb of comfort – publication of the Monopolies and Mergers Commission *report* into car pricing in the UK, and the related question whether the system of sales through exclusively-franchised dealers (in theory at least) has played a role in keeping prices higher than necessary.

In spite of the MMC's conclusion that there was a complex monopoly in the supply of new cars, it found also that this did *not necessarily work to* consumers' disadvantage. To the chagrin of consumer groups, it accepted both that UK prices were not, overall, disproportionately high in comparison with Continental markets, and *that franchised* networks were needed properly to care for such complex products with strong safety implications.

Its conclusions will be assessed closely by the industry and business vehicle operators in Continental countries, for it is likely considerably to influence the European Commission's own deliberations on pricing after the advent of the single market next year and on whether the present exemption from normal EC competition rules (which allows the franchised car trade to exist) should continue after its scheduled expiry in 1995.

The MMC report does, however, propose greater freedom *for dealers to compete* more intensively with each other. It also is critical of exceptionally large fleet deals, involving very large discounts and concluded directly between vehicle maker and operator. These, it argues, require *subsidies from smaller* business and private buyers in the form of higher list prices.

It is possible that the bringing of such issues into the open, combined with a growing hope that Mr Lamont's Budget next month may reduce the tax burden on cars, may at last persuade fleet buyers back into the market.



IN THIS SURVEY

Editorial production: Roy Terry
Illustration: Robin MacFarlan

VEHICLE FLEET MANAGEMENT 2

The contract hire and leasing industry has been shrinking, writes **Kenneth Gooding**

New business difficult to find

THE UK's vehicle contract hire and leasing industry has been shrinking in the recession. The most spectacular example of rationalisation has been provided by the T Cowie group which in November snapped up the Royal Bank of Scotland's loss-making Royscot subsidiary for £38m. Cowie also snapped up the assets of Centre Contracts, previously part of the John Martin car retailing group in Edinburgh, for about £300,000, and Ringways Contract Hire in Leeds for £2m.

Several other small contract hire companies are up for sale because they find it almost impossible to make a living in present market conditions. All this might bring problems for their clients.

Dozens of small companies elbowed their way into the contract hire industry in the late 1980s when business was booming. Many of them based their prices on the car residual values being achieved at the peak and they are feeling real pain today because most residual values have remained flat for nearly two years.

One contract hire company which was approached recently by a number of smaller rivals said an analysis of the residual values of the cars on their books showed that "if we took on those companies, we'd lose fortunes".

Several small companies are up for sale because they find it almost impossible to make a living

Accountancy in contract hire being what it is, most companies can "roll forward" their mistakes in assessing residual values – as long as new business keeps coming in. Unfortunately for them, since Britain's car-buying boom ended dramatically in 1990, new business has been hard to find.

"The industry is very short of new business and it is very hard to make a living as a small contract hire company," says Mr Roger Macey, chairman of the British Vehicle Rental and Leasing Association and a director of Commercial Union Insurance's FMM Group.

Competition is incredibly intense, he says, "and contract hire prices are not going up as they realistically should".

The lack of new business is not a total disaster, of course. It means in most cases that customer companies are simply extending the life of individual contracts and keeping the vehicles longer, typically for four instead of three years.

This brings some headaches for the contract hire company. Maintenance costs are bound to rise as cars get older and high-mileage cars are very difficult to sell. Mr Macey points out: "The irony is that manufacturers are making cars that are more reliable and will last for at least 80,000 miles. But people don't want to buy a car with 80,000 miles on the clock."

Mr Macey says some of the newer contract hire companies grew up in the 1980s and assumed that new car prices would continue to rise, pulling used-car prices up with them. "But for the past 18 months residual values have been absolutely flat. The gap between new car and used car prices is becoming wider and wider."

A simple example of the impact on the industry is as follows: a company bought a car three years ago for £10,000 and assumed a residual value in 1992 pounds of £4,500. In present conditions the car is unlikely to fetch more than £4,000, thus all profit on that particular contract is eliminated.

Mr Macey points out that, because contracts usually run for three years and as the industry's most recent glory days did not end until 1989, there are still two years of painful financial results to come through.

At the same time, even if, as many predict, the UK new car market picks up in the second half of this year, the improvement will not make itself felt on contract hire companies' balance sheets until 1995.

He also warns that the industry must not assume car prices will rise steadily through the 1990s. There are a number of important factors in the offing which are likely to conspire to keep a lid on UK car prices. These include the report on car pricing by the UK Monopolies and Mergers Commission which has just been published and which the Trade and Industry Secretary is at present mulling over.

Robert Blower: we compete on quality of service, not price

Meanwhile, the European Commission is urging harmonisation of taxes and the UK government might well pay heed. The UK-based car producers have certainly been campaigning hard for a reduction in the total tax on new cars.

Then in 1995 the so-called "block exemption" given to the car makers by the European Commission comes to an end. This is the system which enables them to have exclusive dealer networks – the Commission previously considered that it was in the public interest, particularly when it came to the safety that comes from having cars serviced properly, for these exclusive dealer networks to continue. If the Commission changes its mind, car retailing in Europe will undergo a massive shake-up.

As for customers, most hire contracts contain clauses which enable users to "escape" should the worst happen and the contract hire concern go into liquidation.

However, previous experience suggests that users suffer when contract hire companies get into trouble. For example, if a contract hire concern does not pay its maintenance and repair bills on time, the impact is felt by its clients. Client companies lose the use of their cars if the vehicles are kept off the road when the contracted garage refuses to do the necessary repair or maintenance work because its bills have not been paid.

Mr Robert Blower, T Cowie's corporate communications manager, says that already contract hire customers are putting much more emphasis on the financial stability of potential car suppliers when choosing between them. "Last year was very damaging for contract hire companies and 1992 will be even worse for many in the industry, particularly those which rely on car residual values for their profits," he says.

Cowie is not dependent on residuals for profit, he points out. "We compete on quality of service, not price." Overheads are kept to a minimum. For example, at the time of the takeover, Royscot had 83 people looking after 6,000 cars while Cowie had 250 for 55,000. "This enables us to make money while others are losing it."

Cowie's three acquisitions last year has taken the total of vehicles it has on hire to corporate clients to more than 60,000, making it by far the largest business of its kind in the UK.

Mr Blower says the takeovers came only after Cowie completed extensive research and found that "the contract hire industry has a good future".

Peter Tucker examines the pros and cons of fleet management companies

Something in it for everybody

ONE OF the main pre-occupations of fleet operators is the pros and cons of hiring a fleet management company to run their vehicles. But how many fleet operators make use of such companies?

According to a survey* of company car schemes, an external fleet management company is most commonly used by fleets of more than 100 vehicles (one third of fleets of that size band responding to the survey said they do so). However, a significant (although lower) percentage of companies running fewer vehicles also declared they use the services of an outside fleet management company.

The reason there is something in it for everybody is because fleet management is by its very nature a bespoke service; ranging from a one-off fleet "health check" to full-time, hands-on vehicle management by outside experts. There is no doubt that managing a fleet today has become a highly sophisticated operation, with even greater cost penalties than ever before to be paid for errors and oversights. But can a fleet operator's own staff, however competent they are, be expected to perform this task unaided?

There are many specialist companies offering increasingly sophisticated support systems to fleet managers. As well as the external fleet management companies, handling as many areas of operation as the client requires, there are software houses offering packages for the fleet operator's personnel to run in-house, which are often tailored to meet individual needs.

Managing a fleet today has become a highly sophisticated operation, with even greater penalties to be paid for errors and oversights

According to Mike Newing, general manager of Kalamazoo Logistics, when fleet operators are evaluating computerised vehicle management systems, they must be aware that software comes in different forms, to run on a variety of hardware and perform a whole panoply of tasks.

"Fleet operators need to examine their requirements and determine exactly how much they want to spend on a computer system," he advises. "However, they must recognise that running a fleet is a high cost activity."

Just as an example, Kalamazoo's Profleet system costs from £3,000, with the end user simply supplying some form of PC to run it on. From there prices rise according to the sophistication of the system and the way it is run, up to packages for mainframe users with networks linking operational centres round the country, as in the case of some of Kalamazoo's larger customers.

But, says Mr Newing, today's software is user friendly and adaptable to individual customers' needs: "Most of the software that's available these days is designed for people who are not necessarily computer experts, nor necessarily fleet managers.

"In addition, with customised software, you can break your company down by your organisation so you can look at costs incurred by your fleet with your in-house system based on the organisation of your company – and not just a reflection of overall vehicle costs. It is almost impossible for a third party company servicing a large number of other customers to provide information based on all their organisations. You can imagine the logistical nightmare that would involve for the supplier."

Naturally enough, Derek Cant, Avis Fleet Management's director, believes that a professional fleet management company can offer a number of vital services, some of which cannot be achieved by an in-house operation.

"Clients can choose to have a vehicle acquisition programme, maintenance of vehicles while they are in service – plus any number of ancillary services, such as an accident management programme, advice on the best funding method, fuel cost management, or access to daily rental vehicles – right through to the point at which the customer's vehicle becomes an asset to be disposed of," explains Mr Cant.

"And we are consistently able to obtain a better net return on used vehicles than the end users are themselves. Many fleet operators can perform administrative disposal quite adequately, but that is a long way from ensuring the vehicle is sold at the right time and in the right way, to realise its optimum re-sale value."

According to Mr Cant, end users benefit also from professional advice on vehicle acquisition: "It is remarkable how many fleets continue to include vehicles in their car policies, based on a very simplistic and dangerous comparison of capital costs. Arguably, it is more critical to look at what a vehicle's re-sale prospects are, as well as fuel and maintenance costs."

And costs of all sorts, as well as how to control them, are indeed the key considerations when a fleet operator is deciding how the vehicles are to be managed.

Even though a fleet operator's in-house staff are doubtless perfectly capable of identifying any cost areas producing problems, does sophisticated software alone equip them to deal with problems such as work poorly done, or unnecessary maintenance work? And do they have the same clout with suppliers of products and services as a fleet management company which buys these in great volume all the time on behalf of its clients?

The chances are the answer is no – if only because these suppliers are careful not to upset such a leading customer.

Furthermore, a fleet management company will have maintenance records for countless examples of any make and model. It will know that model X needs a new clutch normally after so many thousand miles, while at a certain mileage the front discs are prone to go on model Y, and it will be on the look-out for gross exceptions to any such norms when its customers' cars are serviced.

But if so many tasks are to be assumed by an outside fleet management company, suddenly there is less administration to be taken care of in-house.

This is a further benefit to the fleet operator because staffing costs can also be reduced, or personnel can be re-assigned to more important tasks connected with their employer's core business.

It is perhaps best summed up by one Bedfordshire fleet manager who makes extensive use of a fleet management company: "We aren't into cost and maintenance control as our main line of business, so we think it's more sensible to delegate those responsibilities to a company which is."

* *Company Secretary's Review Survey of Company Car Schemes 1991, Tolley Publishing, Croydon, Surrey. £39.50.*

BASIC SALARY INCREASES REQUIRED TO COMPENSATE FOR LOSS OF COMPANY CAR

	Ford Fiesta 1.4 LX CFi	Cavalier 1.8 GL	Mazda 626 2.2 GLX	Rover 820 SLi 16v	Mercedes 300E
Retail price	$10,002	£12,898	£17,704	£19677	£31,162
Tax band	up to 1400cc	up to 2000cc	over 2000cc	omv* £19-29,000	omv* over £29,000
Insurance	£273	£326	£485	£700	£950
Loan interest	£960	1,238	£1,700	£1,908	£2,992
Lost interest on deposit	£290	£374	£513	£577	£903
Depreciation	£1,320	£1,908	£3,312	£3,468	£4,212
Maintenance	£165	£165	£250	£250	£520
RAC membership	£59	£59	£59	£59	£59
Road fund tax	£100	£100	£100	£100	£100
Fuel consumption (mpg)	38.36	37.55	29.25	32.68	26.60
Total annual running cost	£3,706	£4,721	£7,110	7,695	£10,514

Plus the appropriate sum to cover increased income tax and national insurance liabilities (dependent on individual circumstances and tax bands)

* Original market value

Source: T Cowie

Kenneth Gooding looks at changes in company car perks

Cash option poses problems

VERY many UK companies would like to offer cash to employees as an alternative to the company car. Yet the number of corporations actually offering the cash alternative has gone *down* in the past year.

This is in spite of the fact that the 1991 UK budget was expected to drive many "perk" company cars off the road because the Chancellor of the Exchequer caused many corporations to re-think fundamentally their company car policies.

He did so by:

■ Raising the personal tax paid by company car drivers yet again – it has jumped by 280 per cent since the 1988 budget; and

■ By insisting employers pay National Insurance contributions on company cars and fuel.

That certainly gave corporations food for thought. A survey by the William M Mercer Fraser consultancy group shortly after last year's Budget showed that two thirds of the companies contacted were reconsidering their car policies.

Half of those thinking of changing were considering the introduction of a cash alterative.

So, what stopped them?

"While there is evidence that a large number of companies would like to offer a cash alternative, they are being put off by administrative complexities and the imprecise VAT and income tax position of cash allowances," says Mr Tony Vernon-Harcourt of Monks Partnership, the remuneration advisers.

Not only that, some companies which anticipated the Chancellor's tough measures and launched a cash instead of cars policy in 1990, have been forced to drop the offer.

Mr Vernon-Harcourt suggests that, while the income tax difficulties eventually can be ironed out with the help of individual tax inspectors, the potential VAT problem remains a serious one for companies.

He says Customs and Excise are taking the view that, if an employee could have, say, £3,000 in cash or a company car, the supply of a company car by the employer to the employee must be deemed supply by the employer of a car for the VAT-inclusive consideration of the cash alternative.

Giving a simple illustration, Mr Vernon-Harcourt takes the example of a company which offers employees a choice of £3,000 cash or a company car. The company has 500 cars and 50 employees take the cash while 450 retain their cars. Customs and Excise will insist that the 450 car users have had the supply of a car from the company on the following terms: supply £2,553.19; plus VAT £446.81 (for a total of £3,000.)

So Customs and Excise might demand 450 times £446.81, or a total of £201,065, from the company.

"For a company with 2,000 to 3,000 cars the VAT bill could be £1m," Mr Vernon-Harcourt points out.

As the VAT problem affects those cars *retained* by employees, it does not arise if a company decides to do away with all its cars and give cash instead to eligible employees. Monks has found a handful of companies considering this course of action. They are mainly financial/City organisations where all the cars on the fleet are "perk" cars.

In any case, Mr Vernon-Harcourt says that, in spite of the Chancellor's efforts, "in most of the companies we've looked at, two out of three cars remain tax efficient compared with the tax alternatives. So there is no great impetus to change in this direction. It is not cost-effective to move every company car driver to the cash alternative."

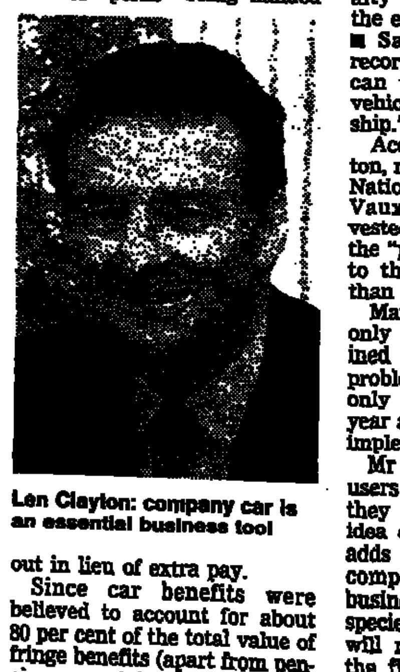
Neither would a forced change from cars to cash be particularly popular.

The Mercer Fraser survey found that, while 12 per cent of companies were offering a cash alternative, only one in 10 described the take-up of the cash option as even "moderate".

The problem the UK government faces in trying to eradicate the "perk" company car is that the benefits to both employer and employee are far broader than those which can be stated in simple monetary benefit terms.

The "perk" cars era in Britain certainly started because companies in the 1960s and 1970s were looking for other ways to reward employees because high personal taxes made pay increases relatively unattractive.

The government's counter-attack started in 1979 when it said it aimed to reduce the UK's high personal tax rates but, to compensate, it also wanted to eliminate the provision of "perks" being handed out in lieu of extra pay.



Len Clayton: company car is an essential business tool

Since car benefits were believed to account for about 80 per cent of the total value of fringe benefits (apart from pension provisions) it seemed appropriate for the Chancellor to concentrate on that sector.

However, over the years companies have found there are other benefits arising from providing company cars. According to Vauxhall, the General Motors subsidiary in Britain, there are four main reasons why employers provide company cars for key personnel:

■ Business efficiency. "Mobility in business is essential," says Vauxhall. "Key staff must have continuous access to reliable, cost-effective car provision."

■ Presenting the right image. "First impressions are important, particularly when company directors, sales managers or representatives arrive at customer premises."

■ Key personnel retention and company loyalty. "The company car is seen as a significant part of the overall package of remuneration and equipment provision. Perceived status is often associated with the type of company car and, in a competitive market place for skills, organisations believe it is essential to retain the loyalty and full commitment of the employee."

■ Safety. "Regular and recorded service maintenance can be guaranteed if the vehicle is in company ownership."

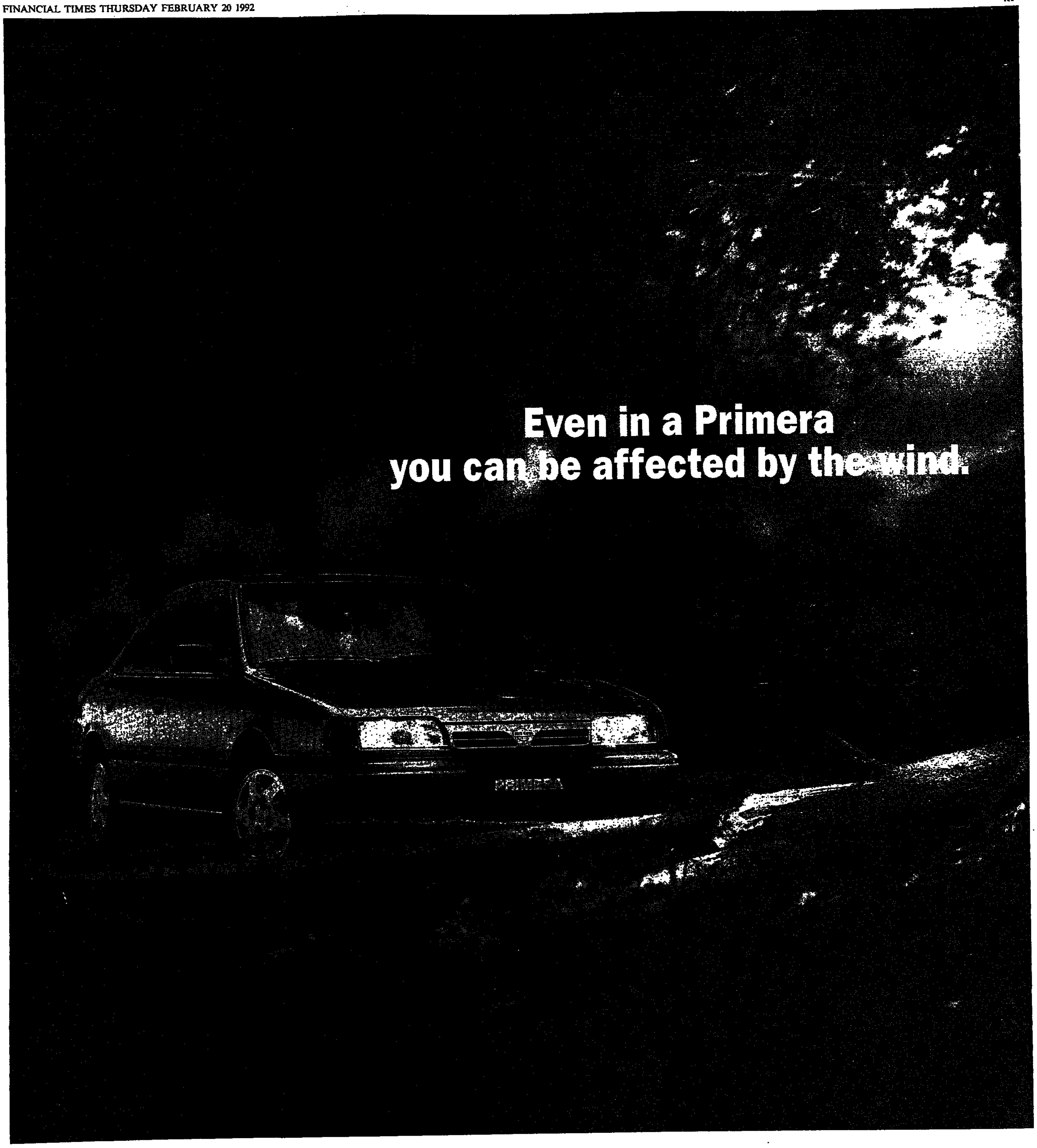
According to Mr Len Clayton, managing director of Swan National Leasing – who, like Vauxhall, obviously has a vested interest in the future of the "perk" car – there is more to the "cash-for-cars" option than meets the eye.

Many of its problems emerge only when the option is examined more closely. "The main problems may begin to arise only after a few months or a year after the scheme has been implemented," he suggests.

Mr Clayton says that, when users consider matters calmly, they will decide to scrap the idea of a cash alternative. He adds for good measure: "The company car is an essential business tool. It is not a dying species. It is alive and well and will remain so – because in the final analysis there is no viable alternative."

While these might be heartening sentiments as far as the car makers and contract hire companies are concerned, there is no doubt that more companies than ever have been reconsidering their company car schemes.

Pressures of recession have forced many of them to keep their company cars longer so that four years, rather than three, is becoming the norm. And that is not such good news for manufacturers or contract hire groups.



Wait until one of those rare days when the weather tells you not to go outside. Then step inside a Nissan Primera.

Drive to one of those lonely byroads, the ones people avoid when it gets a bit stormy.

Go ahead, take that road in a perfectly straight line. Notice the bent trees as you step on the accelerator. The Primera's advanced aerodynamic shape slices through the wind. (As it has done countless times in one of the world's largest wind tunnels.)

You drive smooth, stable and certain. You can even find your favourite radio program without fighting your steering wheel.

Now the road dissolves into a storm of whirling leaves and rain. But you don't lose grip.

In fact, the Primera's advanced multi-link front suspension is at the top of its class. (It also turns cobbles into velvet.)

This sophisticated system is further enhanced by an extra rigid body. One that completes the Primera's high-performance handling.

So when you happen to drive on this very day, on this very road, in this very car, you know exactly what to expect. Well, almost.

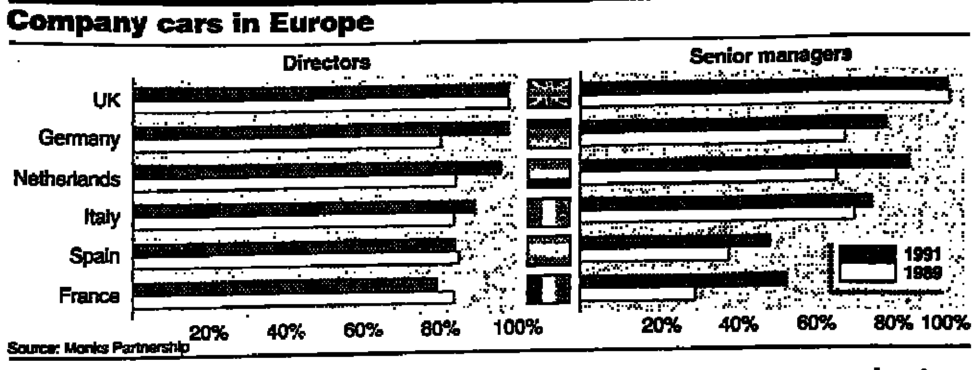
NISSAN

Nissan Primera. The performance car for a country called Europe.

Model shown SLX. Specifications may vary in every country. Alloy wheels optional.
The Nissan Primera is available in 4-door Sedan, 5-door Hatchback and Station Wagon models.

VEHICLE FLEET MANAGEMENT 6

Company cars in Europe



Source: Monks Partnership

John Griffiths on the EC company car market

Essential business tool

WHILE successive UK chancellors have sought to discourage the company car through taxation increases well in excess of inflation, its popularity, particularly as an executive perk, is growing apace in most European countries.

At director level the widespread perception that the UK is somehow unique for the profligacy with which "perk" cars are dispensed is not standing up to close scrutiny.

As an extensive study of the European company car scene by the Monks Partnership makes clear, at director level there is a fairly small and ever-narrowing difference in the extent of provision between the UK and some leading Continental countries.

Only in Switzerland, among a total of 14 countries surveyed, does the level of provision to directors fall significantly below 90 per cent. (Needless to say, Swiss directors are in a better position than most to fund their own cars out of salary.)

At managerial level the gaps, as might be expected, widen – but even here provision is increasing, Monks partner Mr Tony Vernon-Harcourt concludes.

The highest increase in popularity in recent years has occurred in France, where 80 per cent more non-director senior managers were offered company cars last year compared with 1989.

In Germany, which in unit terms has a larger company car market than the UK, the level of provision to directors is now the same as in the UK, at 98 per cent. Spanish middle managers, such as in sales or accountancy functions, fare least well in comparison with their UK counterparts, with 49 per cent being offered cars compared with 96 per cent in the UK, 86 per cent in the Netherlands and 80 per cent in third-placed Germany. However, while the UK proportion has actually dropped back marginally since 1989, only just over one third of Spanish managers were receiving cars in the late 1980s.

Where UK business people do stand out – in company with their Spanish colleagues – is in their penchant for running expensive cars. Even allowing for exchange rate variations, in sterling terms the cars run by British managers are the most expensive. Last year the average, at managing director level, was £28,000 ($50,000) and at senior manager level, £20,000.

In sterling terms, per-car spending on Spanish senior managers' vehicles was even higher than in the UK, at £21,600. The managing director, however, settled for one costing £26,500.

The cars run by British managers are the most expensive

In comparison, German directors and managers appear positively modest at average spending of £20,400 on the managing director's car and just £14,600 on senior managers'.

This does not necessarily mean German managers are excessively self-denying – part of the difference is accounted for by varying purchase taxation rates.

Whereas these, including VAT, total around 14 per cent on the German car, British buyers, because of special car tax and higher (irrecoverable) VAT pay around double the German rate.

In virtually all countries surveyed, the provision of free fuel for private motoring – a blatant "perk" if ever there was one – is the norm rather than, as might be expected, the exception.

At director level, four out of five Germans with company cars receive it, the Norwegians lead with 92 per cent, and even two-thirds of Swiss directors also receive the benefit.

Middle managers in Norway fare much worse – provision is only about half the level of directors, but in most countries the level of provision is still well over two thirds.

In spite of the increasingly burdensome taxation regime in the UK, the Monks survey, conducted after last year's Budget, concluded that there has been little reduction in the level of allocation and that company cars are still more prevalent throughout the corporate hierarchy than in any other European, or indeed industrialised, nation.

This does not, however, prevent those operating within the UK vehicle provision industry from complaining about the British tax burden. For example, Mr Freddie Aldous, chairman and chief executive of TSB's Swan National vehicle leasing and rentals group – and a leading light of ECATRA, the European car and truck rental trade body – complains that UK company cars are now "greatly overtaxed" compared with many other EC states.

According to an analysis by Swan National, the assessed tax benefit to the company car user of his private use of the vehicle is substantially higher than in France, Germany, Italy, the Netherlands or Spain – the other countries studied in the analysis.

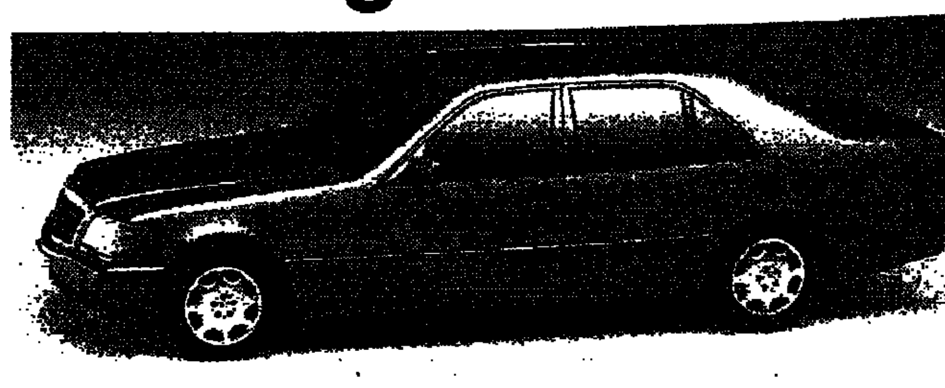
The Swan figures examined only a slice of the sector, but the group argues that it is by far the most important – cars of 1.6 to 1.8 litres; less than four years old; in use by sales and marketing personnel and engineers, and typically covering around 15,000 business miles and 5,000 private miles a year.

Such a user, Swan's figures show, faces a £2,650 assessed taxable benefit in the UK, compared with £2,400 in the Netherlands, £2,055 in Germany, only £1,250 in France and Italy and a lowly £950 in Spain.

"The government must recognise that the company car is an essential and irreplaceable business tool," says Mr Aldous.

German policy examined by **Andrew Fisher**

Driving motivation



New S-class Mercedes-Benz: the German executive car *par excellence*

GERMANS love their cars, and executives and managers are no exception.

Big corporations and banks have fleets of vehicles to ferry their top employees in a country where extensive driving is vital to doing business. The same is true of government and public authorities, which also have garages full of cars.

Metallgesellschaft, the Frankfurt-based metals, mining, engineering, and chemicals group, has a fleet of 304 cars, which includes all the main German car marques except Porsche, whose luxury sports cars hardly fit the role of the sober executive.

The Metallgesellschaft cars are allotted to managers on a hierarchical basis (accounting for a third of its fleet) and according to who drives the most. Having weighed up the relative costs and benefits of leasing against purchase, it favours purchase. Thus the company owns all its cars.

The cars in the Metallgesellschaft fleet do not include those of its subsidiaries such as Lurgi, the big engineering company, and Kolbenschmidt, which makes motor components. But the rules for executive and company cars are roughly the same throughout the concern.

At Metallgesellschaft, the nine main board management directors all receive a Mercedes-Benz 400 SEL, costing just over DM100,000. Although BMW has made considerable inroads into the Mercedes domain with its sleek, attractive 7-series, it is still the Mercedes which is the German executive car *par excellence*, especially with its new S-class, which came out last May and is bigger and more expensive than its predecessor.

Below the management board, there are three hierarchical levels. The first rank of managers is entitled to a Mercedes 300SE or BMW 730i. The next two are allowed to have progressively less expensive cars from the ranges of Mercedes, BMW, or Audi (the up-market Volkswagen subsidiary).

For employees who drive more than 25,000km (15,500 miles) a year, there are four categories. Within these, the entitlement is to various models of BMW, Ford, Opel (the German subsidiary of General Motors of the US) and Audi. All Metallgesellschaft employees who receive a car can add their own money, if they wish, to move up into the next level; they may not, however, edge into the main directors' group. Since they would be contributing towards the payment of a car that was not their own, and would thus get nothing back when the car was sold, very few do trade up in this way.

The company will also pay a further 12 per cent over the list price of the car an employee receives to cover any extra equipment desired such as air-conditioning – highly desirable during the recent hot summers – or a sun-roof.

Companies such as Metallgesellschaft do not just hand out company cars to make their employees feel appreciated, although this is obviously a factor. "It is a sort of motivation," says Mr Horst Bogateck, the group's head of administration. The main reason is to save time and ensure that top managers can move quickly from place to place when necessary.

Because of its highly decentralised economic structure a lot of time is spent on the road.

In Germany, there is no single dominating business centre. Because of its highly decentralised economic structure, now extended with the addition of eastern Germany through unification, a tremendous amount of time is spent on the road. For some journeys, say between Frankfurt and Munich, it is quicker to fly. Rail is also the better option for some routes, such as between Frankfurt and Cologne or Frankfurt and Stuttgart.

Moreover, many companies are not in the main cities or towns at all. Bertelsmann, one of the world's biggest media companies, is based in the small northern town of Gütersloh, though it has important divisions in Hamburg, Munich, and elsewhere. Germany's thousands of Mittelstand (small- and medium-sized) companies, which are such a vital part of the economy, are spread all over the country.

Metallgesellschaft changes its cars every four years or after 120,000km. Last year, it bought 70 new cars at a cost of just over DM3m. Those cars which are provided according to an employee's rank tend to do the full four years, with the others reaching their kilometre level in less than three. The cars driving the farthest distances are mostly accounted for by Chemetall, a materials consultancy subsidiary of the group.

A company car does not mean a free ride for German employees, who are taxed on 1 per cent of the car's list price (including extras) per month and also on mileage covered for travelling to and from work. However, maintenance, insurance, petrol, and other costs are taken care of, giving the user of such a car considerable benefits. Each main board director has a driver, with two others available when needed. The company also has 13 cars in a general pool, consisting of vehicles whose users have retired, left, or moved up the scale.

For Mercedes-Benz especially, the company fleet market is of vital importance, although it is coy about saying just how much. The new S-class, an increasingly common site as it purrs down German motorways, dwarfing most other cars, has put the company back at the top of the executive class market. In Germany, new S-class registrations went up by more than 40 per cent in the first 11 months of last year, while those of the BMW 7-series eased by just under 4 per cent. Some of these big limousines are bought by independent businessmen or lawyers, dentists, and other wealthy people, but company fleets account for a big chunk of their sales.

ITALY

Operators buck the trend

GOING against a trend which saw a slight downturn in overall Italian demand, about 2.5 per cent more vehicles were delivered to the country's fleet operators last year than in 1990. Though precise statistics are not available, industry experts estimate that fleet operators took more than 400,000 new vehicles on to their books in 1991, equal to about 20 per cent of Italy's total market.

The number of saloon cars bought by operators is estimated at 320,000. In addition, Italian fleet operators purchased about 80,000 light vans, below the half-ton threshold and mainly saloon derivatives.

Though fleet operators bought a large number of vans, figures from Turin automobile-maker Fiat reveal significant bias towards the higher market segments. Whereas segments E and D represent 16.9 and 22.4 per cent respectively of total fleet purchases, these segments account for only 6 and 16 per cent of the total Italian market. At the other end of the scale, segments A and B represent 9.8 and 44.5 per cent of the total automobile market respectively, but only 6.3 and 24.8 per cent of fleet purchases.

The biggest fleet operator, with its flotilla of official cars, is the public sector. In addition to the standard *macchine blu* (dark blue cars), there are vehicles of sundry colours, some bearing rotating blue lights, others carrying gun-toting law officers riding shotgun and others merely displaying discreet official discs.

From ministries to state and quasi-state bodies, state-controlled corporations and banks, and the local communal authorities, this part of Italy's fleet market bought 120,000 vehicles last year. This was four times greater than sales to car rental operators.

The largest single fleet operator in Italy, outside the military, is the SIP state telephone corporation. Of its 40,000 vehicles, dispersed the length and breadth of the Italian boot and on the islands, about 34,000 are Fiat Pandas and derivatives. The remainder also carry "made-in-Italy" badges, an aspect that characterises virtually all the country's public sector fleets.

Indeed Fiat Group, comprising Fiat, Lancia, Autobianchi and Alfa Romeo, won 52 per cent of the total fleet segment last year. This was around five points higher than the group's standing in the market overall.

But changes in purchasing preference appear to be under way. General Motors has set the pace in this process. Two years ago it achieved the first sales of imports to the public sector by selling Kadett and Astra station wagons to the ENI state hydrocarbons holding corporation. Last year it sold Rascal small vans to the electricity corporation ENEL and to two ministries. Rover, with its Land Rover four-wheeled drive cross-country vehicle, also ranks ENEL among its customers.

Importers also see opportunities at SIP. Indeed, while admitting that nationally-built vehicles have precedence, fleet managers at the telephone corporation say they have started to examine the ranges offered by importers.

"The public sector is starting to open, with state bodies and corporations being more willing to consider change than ministries. But importers have only been able to erode Fiat's position with specialist vehicles for which the Turin company cannot offer an alternative. It will be real progress when importers sell their saloon models to the public sector," says Elio Tiberi, General Motors' fleet sales manager.

Since Fiat's acquisition of Alfa Romeo, there is concern about the monopoly position that the Turin Group has won in domestic production. However, adds Mr Tiberi, public sector purchasers are nevertheless subject to considerable pressure to buy Italian.

Some industry experts believe that the group has been able to use its position as sole national manufacturer when setting prices. Mr Tiberi notes that importers generally offer between 10 and 12 per cent basic discount on list prices, together with volume-related discounts of 6 per cent and more. It is thought that, where it gives discounts to the public sector, Fiat offers rather less.

But, as in other countries, Italy's fleet operators' choices are not determined only by initial purchase price. Trade-in value is an important factor. And this is giving a significant advantage to importers whose increasing market share in Italy owes much to the attractiveness of model ranges, as well as to competitive prices.

"Private sector businesses in Italy are lengthening their lists of staff eligible for company cars and offering a choice of models. Usually staff opt for the most attractive, which are often those with the highest re-sale value. We emphasise the importance of re-sale when negotiating with clients," says Mr Tiberi.

That this aspect is increasingly an area of competition is confirmed by Fiat. A spokesman notes that the group fixes buy-back prices on large fleet contracts at the time of sale.

The maintenance factor is also attracting greater attention. "In the past importers had a reputation for poor and expensive spares supplies and service networks. This is no longer true and all major imported makes offer after-sales back-up that matches Italian makes," says Mr Tiberi.

Maintenance is a top priority for fleet managers at SIP, whose vehicles, which cover an annual total of about 370m kilometres, have a ceiling of 90,000km or nine years in service with the corporation. They are subject to checks at intervals of six months or 2,500km and to full maintenance servicing annually or after 10,000km.

In addition to employing several hundred of its own mechanics, SIP has agreements with garages throughout Italy. "Fiat's consolidated presence through an enormous network provides the assurance of nationwide maintenance service that SIP's widely-spread fleet requires," says a senior executive at the telephone corporation.

Though it contracts out a substantial part of its maintenance workload, SIP owns the vehicles in its fleet. But more operators are deciding they do not want responsibility for maintenance or for the many other aspects of fleet management. Leasing and hiring are becoming more popular.

"Companies are able to axe whole departments and reduce their overheads. By buying full-service, they eliminate all the administrative details of maintenance, repairs, insurance, vehicle licences, fines and many other worries," says a Fiat spokesman.

General Motors's Mr Tiberi agrees. "Italy's high labour costs encourage firms to look carefully for opportunities to cut payrolls. Hiring and operational leasing offer practical solutions to the problem. The leasing businesses established by the main car rental firms provide high efficiency and cost containment." Leasing and hiring are expected to expand significantly as vehicle fleets in Italy continue their growth trend.

David Lane

Patrick Frater on a French company's fleet management policy

Discretion and convenience

Renault Safrane: new executive car replacing the Renault 25

DISCRETION and convenience are the watchwords of fleet management at Alcatel Alsthom's headquarters in Paris. Cars and vans bought are most likely to be French in France, German in Germany and British in the UK .

Decision-making is decentralised and conducted by each subsidiary rather than strictly controlled from Paris. If there is an overall strategy, it is to prioritise convenience and discretion – as well as to keep costs down.

Convenience in practice means that where Alsthom operates in the home territory of a leading motor manufacturer its products are probably cheaper and easier to service than those of a foreign producer with a small market share. For the directors' cars local products also make for a lower profile.

As fleet manager for all Alcatel Alsthom's operations in Paris and the Ile de France, Jean-Claude Rousson is responsible for handling the buying of cars for directors at Alcatel's five main offices in the Paris region and running a fleet of some 300 commercial vehicles, mostly light and medium-sized vans. Autonomy for all subsidiaries means that he does not get involved with the decisions for Alcatel Cable or any other division based in the same area. He nevertheless is the person responsible for keeping the board members on the road.

His operations break down into two distinct parts; the cars for the directors and the commercial vehicles for the repair and maintenance teams. The logic behind the division is a simple question of quantity of vehicles and the tax treatment of them.

In France it is not possible to recover the VAT on directors' cars, but it is deductible for the commercial fleet.

The commercial vehicles are bought through an annual tender process in lots of typically between 50 and 100 units. Requests for tender submissions are sent to all leading vehicle manufacturers, but the final choice has consistently remained between Renault and Citroën. Peugeot misses out because of its essentially passenger car range. Fine tuning of prices and specifications are carried out after submissions have been received.

The directors, on the other hand, are allowed a healthy choice of cars and tend to pick the top-of-the-range Citroën XMs and Peugeot 605s – a reflection perhaps that the Renault 25, due for replacement this year, is now looking a little tired. They are expected only to use company cars for company business and have a car of their own for private use. Insurance, maintenance and petrol are all paid by Alcatel.

Mr Rousson explains that in addition to the practical reasons of price and servicing "buying French is a group decision, but one without pressure. It is simpler, but there is also a certain sentimentality (towards the French marques)." His colleagues in foreign subsidiaries are not expected to import French cars or to buy locally-sourced French-made vehicles.

Alcatel amortises the cost of its fleet over four years, but tends to keep vehicles longer – up to six years. The vans clock up an average of 50,000km a year. "After that they are dead in terms of cost and usability," says Mr Rousson. "We keep them all that long and the chairman sets a good example."

The decision to buy rather than lease, Mr Rousson explains in terms of price, even though leasing and long-term hire are gaining in popularity among other fleet operators. "We are able to amortise the cost," he explains. Diesel-engined vehicles for the van fleet "cost more at the beginning but that gives us more to amortise". His relaxed position on commiting so much capital to his vehicle fleet is perhaps one that companies smaller than the giant Alcatel could not hold quite so easily.

Buyers are penalised by a number of special taxes. Cars attract France's 25 per cent luxury goods rate of VAT (18.6 per cent is the standard rate) and a special *Taxe sur les Voitures de Société* (TVS) that is calculated on the mysterious *puissance fiscale* (fiscal value based roughly on engine size and make), which adds an extra FFr5,700 ($1,053) to the cost of running the smallest cars and FFr15,000 the largest. Users also have to pay a *taxe professionelle* which varies from region to region.

While the majority of fleet operators are still buyers, the proportion has been dropping since the mid-1980s and is now only 52 per cent, according to the motoring weekly Auto Plus, as leasing and long rental become more sophisticated. That challenge to the traditional modus operandi and the possibility that European tax harmonisation might reduce the cost of company motoring and, hence, increase fleet sizes has sparked a new interest in fleet operation in France. At present only between 16 per cent and 23 per cent of new cars, depending on the interpretation of the figures, are bought for professional use – a rate considerably lower than that of the UK. But as a sign that things are changing French fleet operators will next month be able to attend Auto Flotte 1992, the first exhibition of its kind in France.

Peter Tucker checks the latest vehicle security methods

UK heads the EC theft table

MOST people have either experienced or know somebody who has experienced car theft. That is a statistical probability, as demonstrated by the fact that the UK leads the rest of the EC in the number of vehicle related thefts – 7.1 per 1,000 head of population, according to figures compiled by the Insurance Service.

Compare that with the figures per head of population for France (4.2), Italy (3.64) and Germany (1.14) and it is not hard to see why these crimes have become such a hot topic for the motor industry, government and fleet operators.

Among the UK Home Secretary's reactions to this growing problem was a declaration of his intention to make "joyriding" a criminal offence. The resultant Aggravated Vehicle Taking Bill has now completed the committee stage in the Lords, to be followed by a third reading in the Commons. Furthermore, the Home Office this month launched its new £5m initiative, Crime Prevention Year 1992. The intention is to involve the public, as well as businesses, industries and organisations, in an attempt to eradicate car crime.

Among those most seriously affected by these problems are companies such as rental and leasing companies, which operate vehicles as their prime source of revenue. For this reason, the British Vehicle Rental and Leasing Association (BVRLA) has over the past five years been operating an annual award scheme for manufacturers it considers do the most to build into their products deterrents to the thief. But progress appears to have been disappointing.

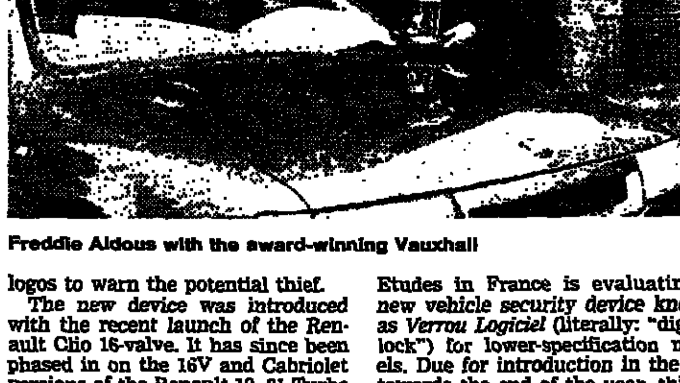
Mr Freddie Aldous, BVRLA vice-chairman, says: "As far as the majority of companies are concerned, very little has been done, contributing to a situation which is, at best, depressing. Manufacturers have a clear social responsibility to ensure that cars, vans and trucks are made as difficult as possible to be used illegally and action cannot be delayed any longer."

Among the few exceptions, according to the BVRLA, has been Vauxhall, which has won the award three times. When making its third presentation to Vauxhall, the association congratulated the company for remaining a clear leader in the field and for demonstrating that additional progress had been made over the previous 12 months.

At present, Vauxhall fits deadlocks to five out its six car model ranges, which the company claims account for more than 80 per cent of new Vauxhalls now on sale. Immobilisers, too, are standard where alarms are fitted, such as on higher level Astras, Cavaliers and Carltons, plus all Calibras and Senators. Vauxhall claims this accounts for 25 per cent of all its cars.

Among Vauxhall's other security measures are the provision of car stereo units with either removable displays or, on the new Astra, displays which are located separately from the control unit and payment to its dealers for etching on every window surface the registration number of all new cars and vans.

Renault, too, is taking steps to make its vehicles more secure. The company has initiated a programme whereby its complete range of high-performance cars will be protected by the Renault Anti-theft Protection System. This is a key-operated engine ignition inhibitor, hidden within the car, although a dashboard light shows the system is in operation and there are windscreen logos to warn the potential thief.



Freddie Aldous with the award-winning Vauxhall

The new device was introduced with the recent launch of the Renault Clio 16-valve. It has since been phased in on the 16V and Cabriolet versions of the Renault 19, 21 Turbo and 21 Turbo Quadra, plus Alpine GTA.

In addition, Renault's Bureau des Etudes in France is evaluating a new vehicle security device known as *Verrou Logiciel* (literally: "digital lock") for lower-specification models. Due for introduction in the UK towards the end of the year, this is an electronically-controlled keypad, located in the passenger compartment, on which the driver has to key in a numbered code before the car's engine management system can be "unlocked". According to a Renault spokesman, one of the options under evaluation is that of linking this device to the Renault "Plip" remote control system for the central locking, so that one beam from the driver's key ring allows both the doors to be unlocked and the engine to be started.

Meanwhile, at BMW (GB) – which has received a commendation from the BVRLA security award judging panel – a call was made in November for the removal of car tax and VAT from engine immobilisers, to reduce retail prices and encourage consumer demand.

"Should the Treasury support the Home Office by adopting tax incentives, BMW would respond with 100 per cent fitment of immobilisers as soon as practically possible," promised Tom Purves, managing director of BMW (GB).

He adds that in September the Home Secretary asked manufacturers to fit deadlocks, visible chassis numbers and immobilisers to new vehicles. While BMW has been fitting deadlocks to all its models since 1988 and visible chassis numbers since September last year, he believes that, without these tax incentives, 100 per cent fitment of immobilisers would be mean too large an increase in car retail prices in a recession.

The Whitehall view is that the complexities of implementing such tax incentives – and the fact that they would have to be initiated not by the Home Office, but by the Treasury which has other priorities – make this an unlikely event during Car Crime Prevention Year.

However, BMW has responded to the Home Office's initiative by announcing a £1m car security programme, to run from February 24 to March 20 this year. While there is still no commitment on fitting immobilisers, the scheme includes a free car security audit at a BMW Dealer, a BMW approved anti-theft system fitted for half the normal retail price and enhancements to the deadlocking system on eight older BMW 5 and 7 Series models.

Fleet operators, though, have already been given a financial incentive to be security-conscious by the Association of British Insurers, which has regrouped car insurance ratings, to make higher-performance cars, and others more likely to fall prey to criminals, more expensive to insure. Consequently, fleet operators are facing large rises in premiums on these cars, and some may decide not to issue them to their staff. Since a significant proportion of sales of these cars are to companies, this may produce a noticeable reduction in the number on the roads. If so, it could be a partial solution to the problem.

Kenneth Gooding on ways to cut claim rates

Reward for safety

Training incentive: premiums can be cut by participation in approved courses

SOME company car fleets have seen their accident claim rates drop by 39 per cent compared with the previous year. They have seen their accident claim costs fall by 29 per cent at a time when average claims costs have been rising much faster than the rate of inflation.

Consequently, insurance premiums for those fleets have been reduced by about £100 a vehicle.

The fleets experiencing these startling improvements are taking advantage of the FIRMS (or Fleet Insurance and Risk Management Services) scheme, introduced by the General Accident insurance group in 1988.

The FIRMS concept is very simple: if a company's management shows determined commitment to a genuine safety culture and if drivers are educated to think about safety, then the company's vehicle accident rate should improve. And when it does, GA will reduce its insurance premiums.

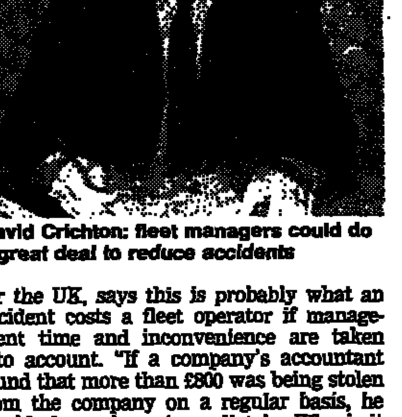
Not only that, to show its faith in the idea, GA is paying towards the cost of training – the insurance group's contribution (paid via a reduction in the premium collected) was recently increased from £25 to £45 a driver.

GA's initiative sprang from the appalling fact that more than one company car in three will be involved in an accident this year and motor insurers will deal with 4m claims.

In 1989 there was on average one death or injury per 41 company cars. The claims frequency (expressed as the number of claims per 100 vehicles a year) rose substantially during the 1980s and by 1988 stood at 43.5 per cent for fleet vehicles compared with 33.5 per cent in 1985.

Yet fleet operators usually ignore this problem. When GA surveyed 1,000 fleets and asked whether they kept in-house records of car accidents, 92.2 per cent said they did. And 83.6 per cent said they analysed the records to establish common factors. But, when asked whether they took any action as a result, more than 75 per cent said "no".

The average cost of a damage-only accident in 1989 was £850 if social costs such as police time are included. Mr David Crichton, GA's commercial motor manager



David Crichton: fleet managers could do a great deal to reduce accidents

for the UK, says this is probably what an accident costs a fleet operator if management time and inconvenience are taken into account. "If a company's accountant found that more than £800 was being stolen from the company on a regular basis, he would clamp down immediately. Why is it the same approach is rarely taken on vehicle accidents?" Mr Crichton asks.

He points out that there are now more than 3m company cars on British roads travelling a total of 63bn miles a year. That is 40 per cent of the total car mileage in Britain. "Fleet managers could, therefore, collectively have a tremendous influence on the national casualty figures," he says.

"Most car fleet managers could do a great deal to reduce their fleets' accidents. Perhaps the most important single measure would be to introduce good quality driving training. It is not unusual for a fleet to find that such driver training reduces its rate of accidents by more than 30 per cent, provided it is backed up by a firm management commitment to an overall coherent strategy to reduce accidents."

Mr Crichton is backed by Mr Wayne Gardner, a director of BSM Health & Safety, one of about a dozen driver training organisations recommended by GA. He points to a BP Oil division with 70 company cars and where the accident rate has dropped to only 1.5 per cent since driver training was started in 1988 and where management is taking road safety issues seriously. (That 1.5 per cent compares with the previously-mentioned national accident claims average of 43.5 per cent).

BSMHS offers a three-tiered scheme to fleets and clients can take their pick from what is on offer. This includes "workshops" for managers explaining how they can take a pro-active approach to road safety; in-classroom training for drivers covering behaviour and attitude; and a one-on-one accident prevention course, using the client's vehicle, where the risks an individual takes and how he or she deals with the risks caused by others are analysed.

A company taking the complete package would pay about £150 per driver. Mr Gardner warns, however: "You can't wave a magic wand. A bit of driver training will not make all the problems go away." But he insists attitudes can be changed. BSMHS stresses that "people have accidents because they take risks with the company's asset." Drivers are also reminded that the most common cause of death of people between four years of age and 44 is road accidents. "For many people, being out in the company car is the most dangerous part of any job, Mr Gardner points out.

Apart from giving grants towards driver training schemes, such as the BSMHS one, the General Accident FIRMS package includes a free safety audit; free "risk improvement" materials (handbooks on risk management, driver training, and a video and booklet for lorry drivers); a free recovery help line as well as a "retro rebate scheme" for fleet operators sending more than half their drivers on a GA-approved training course. They can have a proportion of their premiums refunded retrospectively if their claims experience improves.

Mr Crichton says: "Most fleet operators in this country have an abysmal record when it comes to taking measures to reduce accidents. We are often asked to quote for fleets which have claim frequencies of 100 or 200 per cent or more – just imagine, an average of two claims per car a year."

He admits, however, that the biggest problem with car fleet risk management is that people are usually recruited because they can do a particular job, not because of their driving ability. "This often means recruiting people who are young, ambitious, confident and energetic – precisely the type of person who tends to have a high threshold of risk (the amount of risk they are prepared to accept in their lives.)"

The fact that more than half of Britain's company car drivers are now "user-choosers" and can have the motor of their choice within certain budget limitations, adds to the risk management difficulties. Younger drivers tend to choose "hot hatchbacks" which "can be lethal in the hands of a youngster who wants to show off". Older, more senior, managers may want to go for genuine high-performance cars without necessarily having the quick reactions needed to control them safely.

Mr Crichton asks: "Would it not be more sensible if the driver's abilities were tested and then the driver was provided with a car which matched those abilities?"

Then how do you discipline a good salesman with a poor accident record? Mr Crichton suggests this situation is best tackled by offering a "reward" for safe driving so that the salesman "wins" a better company car if he drives for, say, two years without an avoidable accident. Drivers with particularly bad accident records could be allocated pool cars which they would not be allowed to take home.

Chris Clark discusses insurance

In search of value

PREMIUMS were increased during the past year in line with the predictions of brokers and insurers. Although the recession means that claims are down overall, claims costs per vehicle mile are still moving upwards.

Several factors contribute to this trend, including rising repair costs for vehicle damage, rising court awards for personal injuries, higher value of equipment inside vehicles and increased incidence of theft and fire. Coming at a time of poor general underwriting results, these trends have forced insurers to impose premium increases of 25 per cent or more on some policyholders, though competition remains fierce for what John Pegnall, of Norwich Union, calls the "blue chip" fleets with the best loss records.

Most insurers report a substantial difference in claims experience between the good and bad risks. Premium levels for the good ones have been pegged more or less to the rate of inflation, but overall, according to Mr Pegnall, the market is less concerned about market share and more determined to charge realistic rates. Royal Insurance, the market leader, has taken a very hard line this year. After some years of unprofitable business in this sector, its stance has been that there is a correct premium for each risk, based on underwriting for a profit. As a result, Royal has lost a significant amount of business.

The hardening of the insurance market has led, according to Chris Palmer of Zurich International (UK), to a switch in the debate from premium levels to value added and guaranteed service standards. Independent market research for Zurich suggests that fleet operators place service standards marginally ahead of price in their criteria for selecting insurance cover. The finance director of one haulage company described the claims handling service as "absolutely vital". When repairs take several days to be approved, the lost revenues from vehicles off the road far outweigh some of the premium discounts on offer from less efficient insurers.

Larger insurers see their nationwide, and even international, spread of offices with authority to settle claims as a key element in what they have to offer. "Cheapest is not necessarily best," says Ray Morley, of Commercial Union. "If I charge half as much as another company, but keep your vehicles off the road twice as long, that would be a very poor deal for you."

Nevertheless, insurers cannot afford to ignore the financial pressure that their customers are under. They are therefore looking for ways to help keep the costs down. Few are recommending a switch from comprehensive to third-party-only insurance, except for the largest fleet owners, who can afford to carry much larger risks on their balance sheets. For small fleets, third party cover would be very poor advice, according to Mr Morley.

Instead, Commercial Union, like many of its competitors, is looking to risk management and larger excesses or deductibles, to control policyholders' costs. There has been a general trend to move from 100 to 250 excesses per claim, with excesses of 500 and more among larger fleets. Some companies require drivers to pay these excesses wherever a claim arises, to concentrate their minds, although one broker fears that this could lead to drivers not reporting all accidents.

One of the UK's largest fleets, NFC, which self-insures its fleet of 12,000 vehicles under a government bond, last year doubled the deductibles it imposes on the individual companies in the group. These now stand at 5,000 third party and 10,000 damage, for heavy vehicles, and at 20,000 third party and 100 per cent self-insurance for damage, for cars. Graham Lee, of NFC, sees a clear message in this: "The closer you can get the manager writing the cheque to the accident, the better your cost control."

On the risk management side, Mr Lee emphasises the need in a recession to keep vehicles in A1 condition, to keep claims costs down. With the weight of legislation, he feels that "running a fleet of vehicles is getting like running a fleet of aircraft. Maintenance has to be 100 per cent; 99.9 per cent is not good enough."

Derick Perkins, of Fleet Management Services, points to another aspect of cost control, arguing that policyholders should watch out for insurers offering deflated prices for vehicles that are written off, and that many operators are still paying well over the odds for insured repairs.

General Accident has increased its training grants for advanced driver training, extended the scheme indefinitely into the future and opened it to people not initially insuring through GA. Other insurers have put more emphasis on providing information to policyholders, seeing this as crucial to loss control.

Dudley Brown, of brokers Alexander Stenhouse, argues that some of the fleets which carry only catastrophe level insurance are not properly measuring their losses. "If you can't measure it, you can't manage it," he says. Better use of databases can help operators to identify the causes of accidents and make informed judgments about the cost effectiveness of prevention measures, like controlling who is allowed to drive the vehicles in leisure periods, drivers' minimum ages and technologies such as anti-theft devices.

John Griffiths discusses friction between makers and dealers

Davids subsidise cash flow of Goliaths

ONE OF the less pleasant aspects of a recession for many smaller businesses is the way in which it mysteriously starts taking longer for large companies to which they are suppliers – and on which, obviously, they are dependent – to settle their accounts. Effectively, it is a case of David subsidising Goliath's cash flow.

The Davids will not be at all pleased to learn that they could well be subsidising Goliath's fleet of company cars as well.

The report which first highlighted this possibility was commissioned by the Retail Motor Industry Federation. Earlier this month, it was lent support by the Monopolies and Mergers Commission report on car prices, which concluded that the business car sector overall, but particularly large-scale, heavily discounted deals, are indeed distorting the *market to the detriment of* private and small business *buyers.*

The RMI, in ordering its own hefty, 200-page study* from consultants Harbour Wade and Professor Jonathan Brown, research professor in retail management at Brighton Business School, was more concerned with the welfare of the 7,500 franchised car dealers who form the bedrock of its membership than end users.

Discounts available in the UK*

Segment	Volume (000s)	Average discount £/unit Dealer	Manufacturer
Private	1,125	490	100
Small fleets	412	650	100
Fleets 25-100	235	1,000	140
Fleets 101 +	378	1,025	340
Daily rental	150	1,100	750
Subtotal fleets	1,175	900	270
Total	2,300	700	185

* 1989, some figures rounded

Source: Harbour Wade/Brown

It was seeking mainly to identify the extent to which car makers, ever anxious to "move metal", have been by-passing their franchised *dealers – through which all* sales should theoretically be *made – to sell directly to the* big fleets.

It concluded that at least 200,000 such sales are being made annually and, for some particularly large and favoured fleets, at discounts sometimes reaching as high as 40 per cent. That is considerably more than double most franchised car dealers' own official profit margins, which are typically around 16 per cent.

Since, *in the present* depressed UK car market, most *dealers in volume cars would* be happy to retain 6 or 7 per *cent of their* margin even to private customers, it is hardly surprising that the main burden of the report was that such sales stand to undermine dealer viability and perhaps result in the disintegration of the franchised dealer system itself.

However, it is the effect that these deeply-discounted cars have when they emerge two, three or four years later into the used car market – in other words their residual values – which is of most relevance to smaller businesses and to an even greater extent by private buyers.

Cars bought at considerably less discount, typically 8 to 12.5 per cent for volume cars, still form most of the market and represent the level of discount available to reasonably persistent private and small company buyers.

If this were to be the maximum discount level, as is the case in many other *markets where the fleet* influence is less pervasive, residual values *for a given car*, age and mileage would be relatively equitable.

The "drag-down" in residual value suffered by the private buyer, receiving least discount, caused by the lower price a company might accept for its used cars bought at a higher discount, would be relatively insignificant.

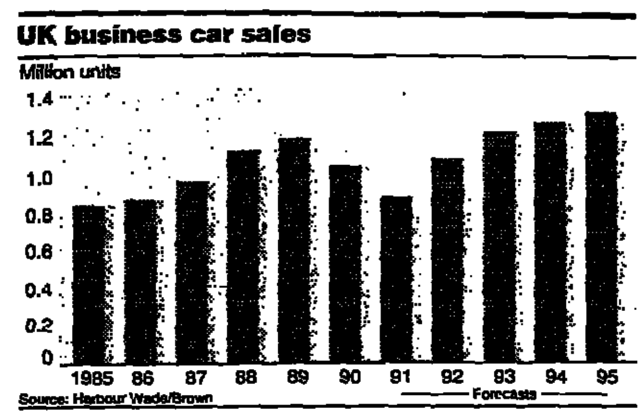
The way things work at present in the UK, however, is seen as altogether more damaging.

At least 200,000 cars, bought at 25, 30 or even 40 per cent discount, finding their way back into the used car market are likely to have a noticeable impact, particularly in a market where last year only 1.59m new cars were sold.

Naturally, the big fleet operators selling them could accept much lower prices in the used car market yet, proportionately, suffer no worse from depreciation than the private or small company buyer. The point is, however, that they do not have to.

Because the bulk of the used car market is still made up of *relatively less discounted cars*, the residual value contained within the trade guides which motor traders themselves use as their "bibles", Glass's Guide and the CAP Black Book, will mainly reflect depreciation on these vehicles.

However, the extra availability of very deeply discounted cars in such numbers undoubtedly reduces the value of the private or small company's cars at *auction or trade-in time.*



Source: Harbour Wade/Brown

The additional drop may not be much – *perhaps 10* per cent. But it is still a loss which would not arise in the absence of big direct fleet deals.

In contrast, the daily rental company which bought 20,000 cars direct from the manufacturer, at a discount of 30 per cent, is laughing all the way to the auction block.

Not only did it buy the cars cheaply, but courtesy of the private buyer and small company sector, it is benefitting from much higher residual values than if everybody had been able to buy at a similar discount.

Once again, David is subsiding Goliath.

As the RMI research found, there is a lot of money at stake. Its statistics demonstrate that, on average, private buyers in 1990/early 1991 received a discount of £575.

That rose to £750 in the case of small company fleets of two to 24 cars; £1,140 per car for fleets of 25-100; £1,365 for 100-plus fleets; £1,870 for small daily rental fleets and a full £2,000 for the rental market "majors".

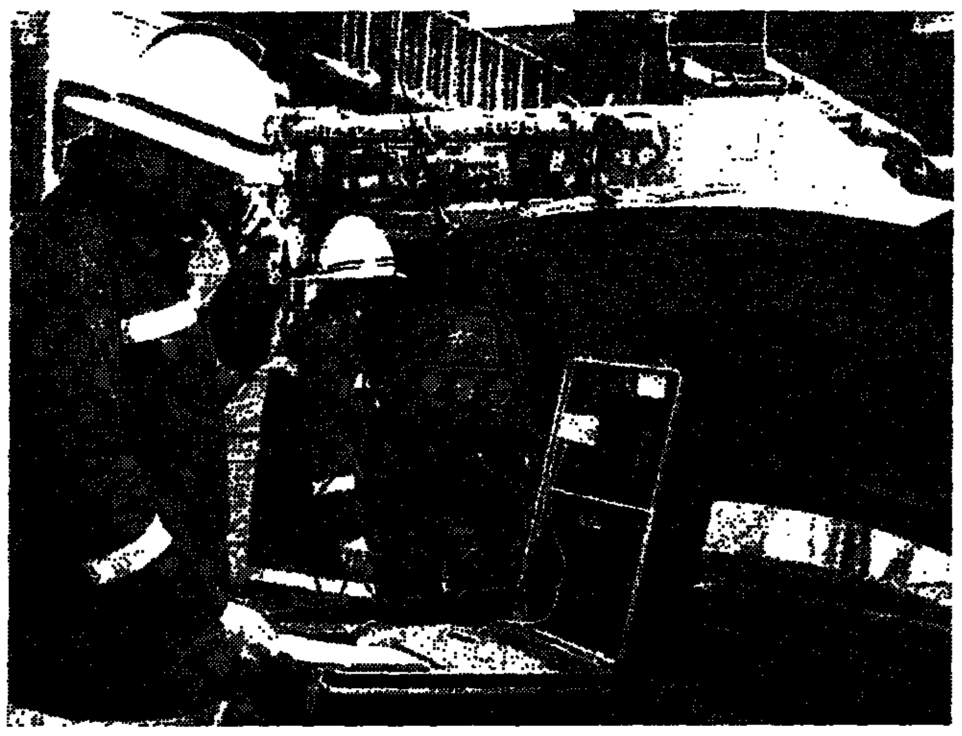
If the RMI study is right, and the franchised dealer system really is under threat from being by-passed, that too, it is argued, would have considerable implications for all business car buyers.

"We consider that its replacement by a largely unstructured supply organisation would not work in the interests of consumers, customers or manufacturers. *There* would be a *significant* downscaling and reduction of investment by dealer networks, which would affect national coverage, quality and standards," the report's authors conclude.

On that count, too, the Monopolies and Mergers Commission also appeared to agree.

* *The Fleet Sector and Direct Sales. Harbour Wade partners and Prof Jonathan Brown. Details from Retail Motor Industry Federation, 201 Great Portland Street, London W1N 6AB.*

Of the more than 1.3m carphones in use in the UK, half are of the take-anywhere hand-portable variety



West Sussex Fire Brigade receive information about dangerous chemicals on a fax machine

There are more than 1m carphones in the UK, writes **Peter Purton**

Gold-plated electronic future

THE MOBILE phone has become as much a fixture in the typical executive's company car as the dashboard clock or the spare wheel. Just 10 years' ago few could have predicted its impact on business efficiency and working practices. The next 10 years, however, could see a host of new communications devices introduced to vehicles.

Before the introduction of cellular radio in the UK in 1985, there were fewer than 50,000 carphones in use, many of which had to be manually "patched into" the public telephone network by an operator. Today there are more than 1.3m, an increasing proportion of which (now more than 50 per cent) are of the take-anywhere hand-portable variety and all of which are attached to fully automatic networks. Typical retail prices – even of the hand portables – are a fraction of those of a decade ago.

The low cost and consequent high popularity of the mobile phone has been largely the result of new technologies which combine computing and communications to make highly efficient use of limited radio spectrum resources.

The same technologies also provide the basis of the latest developments.

Satellites are expected to play a large role in mobile communications in the Nineties

Today's Total Access Communications System and Extended Total Access Communications System (TACS and ETACS) standards, which account for most mobile phones in the UK, are set to be replaced during the 1990s by the Global System for Mobile communications (GSM). GSM, is an all digital version of today's analogue TACS/ETACS cellular radio system. It offers the added advantages of inbuilt text messaging as well as the ability eventually to use mobile phones in other European countries.

Services based on GSM are now being launched across Europe although, ironically, the UK's high density of users of analogue mobile phones is likely to delay its introduction in Britain.

Another big advantage promised by GSM is its relative ease in handling of mobile data traffic from such terminals as facsimiles or computers in vehicles. Today's analogue systems also offer limited support for mobile data. But GSM should be able to offer five times the data rate and with greater degrees of integrity and security.

A rival to GSM's data role, however, is likely to arise from dedicated mobile data service providers. In the UK, four such companies have already received licences – electronics company Dowty subsidiary *Cognito, Hong Kong-owned* Hutchison Mobile Data, US-*owned* Ram Mobile Data and semiconductor, computing and *radio communications giant* Motorola. Three of these have *now launched services and* are reporting good take-up rates.

Makers of terminals also see mobile data as the way of the *future. Last year US computing* giant IBM landed a bombshell in the personal computing market with the unveiling *of a series of laptop computers* dedicated to use as mobile data *terminals. It listed three new* models with in-built communi*cations facilities, two featuring* wireless technologies.

IBM describes the 3kg PCs as "note-book sized, ruggedised, *battery-operated computers*" which allow users to access and input information from remote locations. One model is *designed to communicate over* dedicated mobile data radio *networks. The second operates* over cellular radio-based mobile telephone networks, *and features an optional extra* handset allowing it to be used *as a mobile telephone as well* as a mobile data terminal and *portable computer*. The third uses ordinary fixed telephone lines.

Customers will be able to travel all over the world and communicate with each other

However, IBM is not the only company investing in the *future of mobile data.* Before the IBM announcement, a *number of companies had dedi*cated wireless data computer *terminals on the market and* Japan's NEC and the US's NCR *even had laptop computers on* the market with built-in radio *communications.*

Satellites promise to play a *significant role in mobile com*munications in the 1990s. The International Maritime Satellite organisation (Inmarsat) and the European telecommu*nications satellite organisation* (Eutelsat) have launched messaging services aimed at international freight haulage com*panies so that truckers can* keep in constant two-way con*tact with their bases.*

The messages are restricted *to data/text only and the* receiving equipment is rela*tively large and expensive*, but future developments promise *smaller and cheaper equip*ment, also capable of transmit*ting and receiving voice sig*nals.

*Inmarsat, for instance, is col*laborating with US company *GE Astro to design satellites 20* times more powerful than the *Inmarsat spacecraft.* "Customers will be able to travel all *over the world and communi*cate with each other via tele*phone, facsimile, personal com*puters or pagers using *terminals* that are *small* enough to fit into business briefcases", says Olof Lundberg, Inmarsat's director-general.

In recent years, a number of newcomers to satellite-based mobile communications have claimed they can offer full voice communications with even smaller and cheaper handsets.

The first of these newcomers was Chicago-based Motorola with its $2.3bn Iridium project. Here the plan is to use 77 low earth orbit satellites to offer links for voice, facsimile and data to handheld terminals anywhere in the world. These satellites are cheaper to build and launch and do not have the great signalling distances to overcome from outer space which affect today's communications satellites.

Inmarsat, France's Alcatel and Japan's KDD are also studying systems similar to Motorola's. Mr Lundberg, of Inmarsat, believes his organisation should be able to provide global voice services to hand-held terminals by the end of the decade.

Compatibility with terrestrial cellular systems is a priority and should not cost more than $1,000, with service delivery costs not rising above $1 a minute, he adds. As with today's mobile telephone systems, Mr Lundberg notes that any manufacturer should be able to provide equipment for the system, providing it is type-approved.

By 2000, he predicts, the worldwide mobile satellite user population could reach 1m to 2m, mainly international business travellers, justifying investments in the region of $1bn.

Martin Derrick on the campaign to abolish Special Car Tax

High hopes for Budget relief

THE Monopolies and Mergers Commission report on car prices, which has just been published, did not consider in fine detail justification for the Special Car Tax (SCT), a tax which adds the nominal 10 per cent to new car prices, plus VAT at 17.5 per cent.

The motor industry has long been campaigning for the abolition of the SCT, arguing that a reduction in showroom prices by nearly 12 per cent *would cause a beneficial chain* reaction – it would boost demand *which, in turn, would* boost British industry, gener*ate jobs and perhaps even* result in a stronger indigenous *motor industry* which could then bolster the country's balance of payments by increasing exports. For years succes*sive chancellors have ignored* the motor industry's pleas. Yet now there is a real possibility that the SCT may go. The government, shocked by the detrimental effects of recent budgets on the motor industry – sales of new cars in 1991 were down 20 per cent to the lowest level for nine years – is listening with a keener ear than ever before to industry.

Treasury Minister Gillian Shephard, for example, has *held two meetings* with senior motor industry executives in the past month and has pledged that "very careful consideration" would be given to their views.

Sir Hal Miller, director of the SMMT who was present at those meetings, said of Special Car Tax: "We have been asking for its removal for the past three or four years. The car is the only comparable product that is burdened with this extra 10 per cent tax and its removal would certainly give the industry a much-needed boost."

The SMMT claims that elimination of the SCT and a shift of taxation from the owner to the user of the car by increasing the duty on petrol, would result in a rise of only 15 pence a gallon. And should the increase be phased in over two successive budgets, the burden to the motorist would hardly be noticed, given the volatility of fuel prices.

Simon Foster, managing director of Toyota (GB), also argues strongly for the removal of SCT, pointing out that for importers from outside the EC the total tax burden is even worse. Imports from Japan and the US attract 10 per cent tax on their landed value, then SCT is imposed, and then VAT on top of all that.

"It comes out at around 34 per cent, which is a staggering level of tax to pay on any product," he said. He also made the point that at a time when governments were supposedly encouraging consumers to choose greener products, and manufacturers to offer more environmentally-sound cars fitted with high-cost catalytic converters, electronic management systems and the like, it makes no sense for the UK government to push those products outside many people's price range.

He estimates that removal of SCT would not only increase the new car market by between 5 and 10 per cent "which would be of enormous benefit to the industry", but would also encourage more motorists to buy newer, more fuel-efficient and cleaner cars.

However, a strong word of caution comes from Roger Macey, chairman of the British Vehicle Rental and Leasing Association (BVRLA). Though like others in the motor industry he wants to see SCT removed, he insists that it must be done on a phased basis.

Gillian Shephard: careful consideration of views

He estimates that if new car prices come down by some 12 per cent then overnight £1bn will be wiped off the residual values of Britain's used cars – disastrous not only for the leading leasing and rental companies who would see their inventory values slashed, but also for private companies running their own fleets.

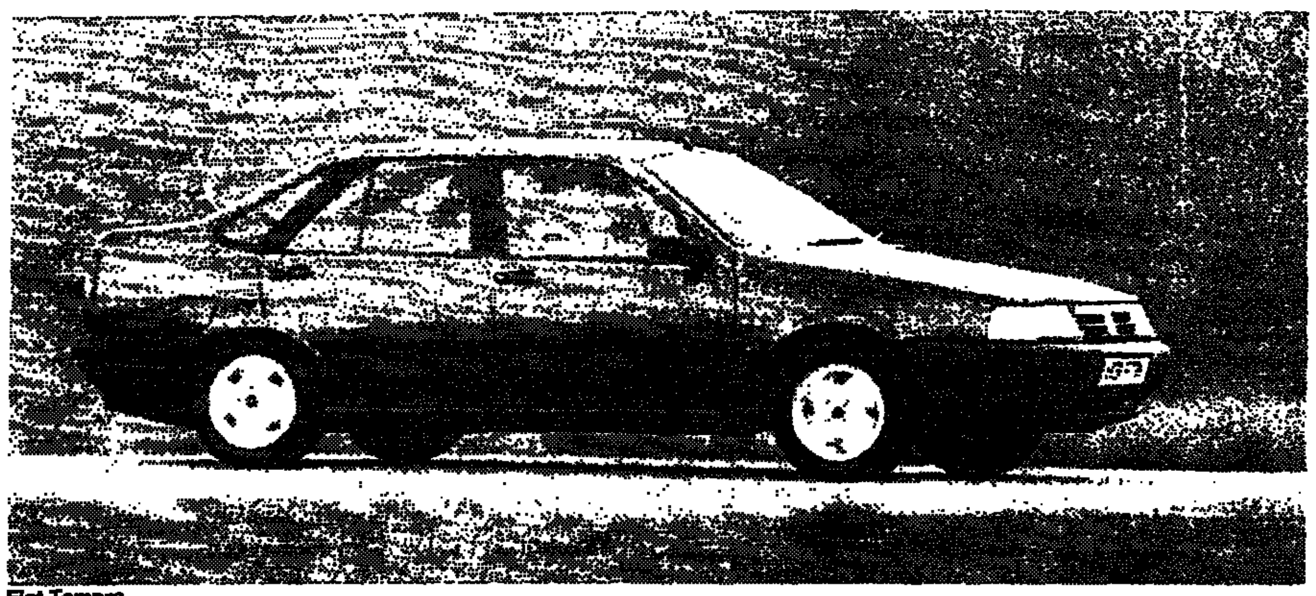
"These dramatic losses would *undoubtedly* drive many companies out of business and the *knock-on* effect on the rest of the motor industry would be enormous. Quite apart from anything else, with tens, perhaps even hundreds of thousands of cars controlled by receivers, a period of great disruption would follow," he said.

"While the long-term benefit of the removal of Special Car Tax is in *everybody's interest*, it has to be phased out gradually."

VEHICLE FLEET MANAGEMENT 8

The new BMW 3 Series 4-door 316i

The new Audi 80



Fiat Tempra

Rover 420 GSi Sport

Merits of the latest business vehicles on the market assessed by **Stuart Marshall**

Emphasis switches to smaller engines

ALL THE emphasis among business car buyers and users is now on vehicles costing no more than £19,250 and having engines of less than 2-litres cylinder capacity.

This is nothing new for fleet cars but the business car user has become uncomfortably aware that going over £19,250 and two litres brings an unwelcome rise in personal taxation.

As a result, the best sellers among executive cars are now the smaller-engined ones. They include the newly facelifted and much improved Rover 820s and such 4-cylinder familiars as the Granada and Carlton, Audi 100, BMW 518, Mercedes 190, Saab 9000 and Volvo 940.

Some even slip into the under £19,250 category when fitted with automatic transmission. This is something fewer and fewer business users, faced with city centre crawls and the aggravation of motorway tailbacks, are prepared to do without.

There is no doubt that a modern 4-cylinder engine, often multi-valved and fitted with contra-rotating balance shafts, performs so smoothly it is hard to distinguish from an in-line or V6. This is certainly the case up to moderately high revolutions.

It would, of course, be idle to suggest there is absolutely no difference at all between driving, say, a 2.7-litre Rover Sterling and an 820i, or a 2-litre Peugeot 605SLi and 3-litre 605 SEV. Of course, there is in terms of sheer acceleration and unusable top speed. But most user-choosers have decided it is not enough to make the tax penalty worthwhile, even if their employers should be in a position to provide the larger-engined car.

Many front-wheel-driven executive class cars of similar size and price are so similar that the choice may depend more on subjective matters such as appearance and image than on actual performance.

The manufacturers may be reluctant to acknowledge it, but there is not a great deal of difference in performance or general ambience between a Rover 820i and a Lancia Thema, a Saab 9000i and an Alfa-Romeo 164.

Standard power steering makes them easy to drive and park; they have comfortable seats, electric windows, big boots, effective heating-ventilation systems and decent stereo radio/tape players and, most important, are quiet enough for easy listening on motorway journeys.

The same can be said of 2-litre front-wheel-driven cars whose cheaper, smaller-engined versions are either the staple of company fleets – the Vauxhall Cavaliers and Peugeot 405s – or family cars. Now that the bitter conflict between Nissan's erstwhile UK distributor and Nissan Motor has been resolved, the admirable, British-made Nissan Primera deserves to pick up a lot of sales in the business market this year.

From the entry model 1.6L to potent 2.0e ZX, the Primera – every one 16-valve-engined and power-steered – sets a class standard for refinement, build quality, handling and equipment.

There are, of course, still some executive-type under 2-litre cars of individual character.

Among the front-wheel drives, the Citroën XM and the veteran Saab 900 spring to mind. For users who prefer rear-wheel drive (or who never think about such things), the BMW 518i and 520i look and feel athletic, the Mercedes 190 oozes status and quality; and the roomy Volvo 940 carries real but undefinable overtones of safety and environmental acceptability.

If size is not first priority, the user-chooser is well catered for by highly specified cars such as the new Audi 80, BMW 3-Series, Fiat Tempra, Lancia Dedra and the Rover 200/400 Series.

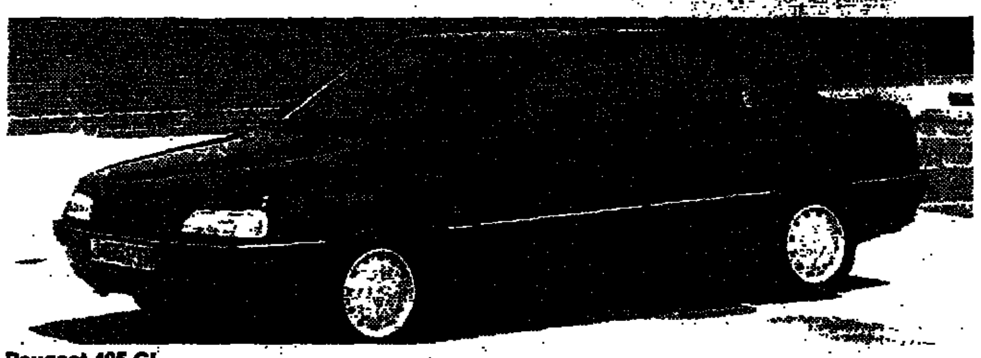
They offer everything that most business drivers expect of larger cars except their bulk. If not more than two people are regularly to travel long distances in them, they are often to be preferred. They feel nimbler on winding roads and are easier to park.

One of the best newcomers in this segment is the SEAT Toledo, in effect a Spanish-built Volkswagen between Golf and Passat in size and most competitively priced. Other new entrants that would appeal to younger business motorists include the Citroën ZX, Honda Civic 1.6 VTi and, insurers willing, such hot hatchbacks as the 16-valve-engined Renault Clio, Fiat Tipo, Ford's admirable Escort RS2000 and the new Vauxhall Astra 2.0 GSi.

At the moment, Japanese makes are handicapped in the business market simply because they are Japanese and most companies feel they should support British or at least European manufacturers.

In so doing they deprive their employees of an opportunity to drive cars that are often ahead of class rivals for creative design as well as for reliability, refinement and equipment.

Nissan Primera 2.0 eGT four-door saloon



Peugeot 405 GL

Citroën ZX 1.9D Aura

Seat Toledo 2.0 GTi

John Griffiths looks ahead to possible future developments

Mind-boggling technology

ONE AREA of costs associated with vehicle fleet operation lies largely beyond the control of the fleet manager: the delays, wasted fuel, lost man-hours and other inefficiencies caused by road congestion and often inadequate infrastructure.

Near the end of last year, as part of the pan-European Prometheus (an acronym for Programme for European Traffic with Highest Efficiency and Safety) research programme to improve traffic safety and efficiency, Europe's motor industry issued its own estimate of the problem's cost: Ecu75bn ($96bn) or 15 per cent of the EC's entire transport-related spending.

Reducing those costs is a key goal within Prometheus's twin overall aims of improving traffic flow efficiency by at least 20 per cent, and safety by at least 30 per cent, between now and 2010.

Five years after the launch of the programme – which involves 18 European vehicle makers, 80 component companies and 124 research institutes, with help from EC governments – the first fruits of its non-competitive research efforts were put on display in Turin a few months ago.

It was a mind-boggling array of technology. Some – such as vision enhancement systems allowing drivers to "see" through fog – is intended to be commercially available by the mid-1990s.

Other technology, of closer interest to commercial vehicle fleets expecting to operate throughout the single EC market, is unlikely to be available until near the end of the decade. Included within this are satellite-based fleet management systems and Copdrive, in which the vehicles are permanently exchanging information with each other while driving and manoeuvring.

More controversially, there is the prospect of "convoying" on inter-city highways, with collision-avoidance systems controlling vehicles running in tight formation, thus maximising use of road space.

The Turin extravaganza included a vehicle fleet management demonstration system representing the pooled efforts of MAN and Daimler-Benz, the German truck makers; Sweden's Volvo; Iveco, Fiat of Italy's commercial vehicles arm and French state-owned Renault Vehicules. Using a combination of cellular phone networks, a Satcom satellite ground station and satellites, the fleet operator can track the precise movements of all its vehicles, integrate them into route planning and exchange data.

The overall concept is even more complex than at first it might appear.

Its formally-defined goals are: improving transport planning and scheduling; increased safety and reliability; better use of available cargo space and to avoid empty runs; the creation of pan-European standards for the exchange of information on fleet movements; and improvements in areas such as monitoring the movement of valuable or dangerous cargoes and improved emergency reporting procedures.

In spite of the long-term nature of the programme, substantial progress on it is expected to have been made by the end of this year.

Before 1993, the partners in the project intend to have evaluated all the likely alternative systems and formulated proposals for standardising the message and data exchange technology.

They then expect to conduct large-scale field tests with integrated freight and fleet management systems, in co-operation with some of the existing large international transport chains.

However, the Prometheus partners acknowledge that such technology-based approaches to greater efficiencies are unlikely to be wholly effective in the absence of co-ordinated legislative activity at EC and individual government level.

As part of the process, they argue, it is essential for pan-European standards to be established for highway networks, traffic information systems and other "harmonised" infrastructure through which the new technologies would need to work.

The Prometheus estimates of the current cost of transport inefficiency appear certain to act as a significant incentive. Judging from the reaction of officials and bureaucrats from the main EC countries and institutions invited to Turin, the response is already strongly sympathetic.

However, Prometheus is also likely to be seeking significantly more cash from governmental quarters.

So far, the Prometheus projects between them have been swallowing funds at the rate of around Ecu90m a year, with government contributing some Ecu30m annually between them.

But, as with the fleet management programme, many of the projects are moving from basic research and small-scale prototype work towards field trials and the need actually to manufacture hardware.

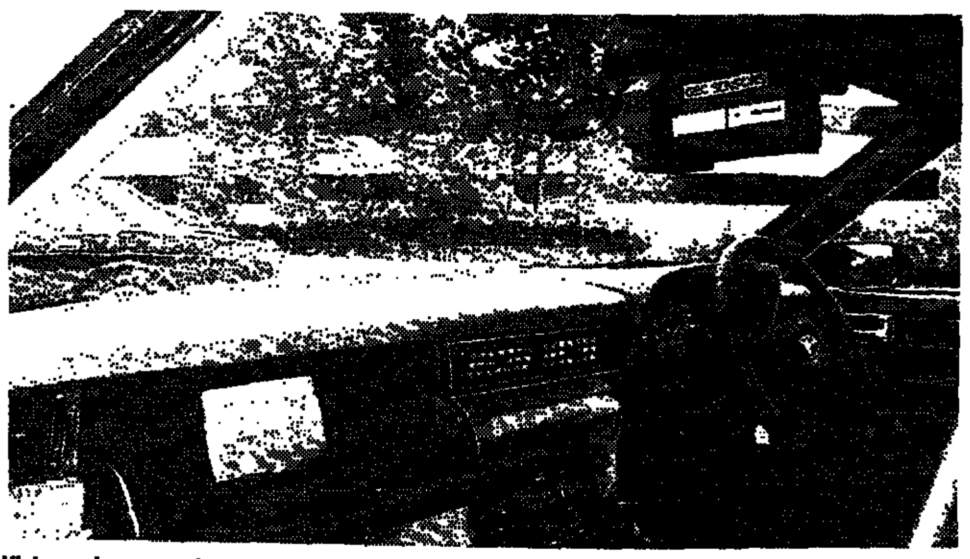
In the past few months, the partners have formally committed themselves to extending their activities beyond 1994 and to strengthen Prometheus's management.

But from then on, spending will have to rise to several – perhaps many – times present levels. Without substantial extra government funding, it could fizzle out.

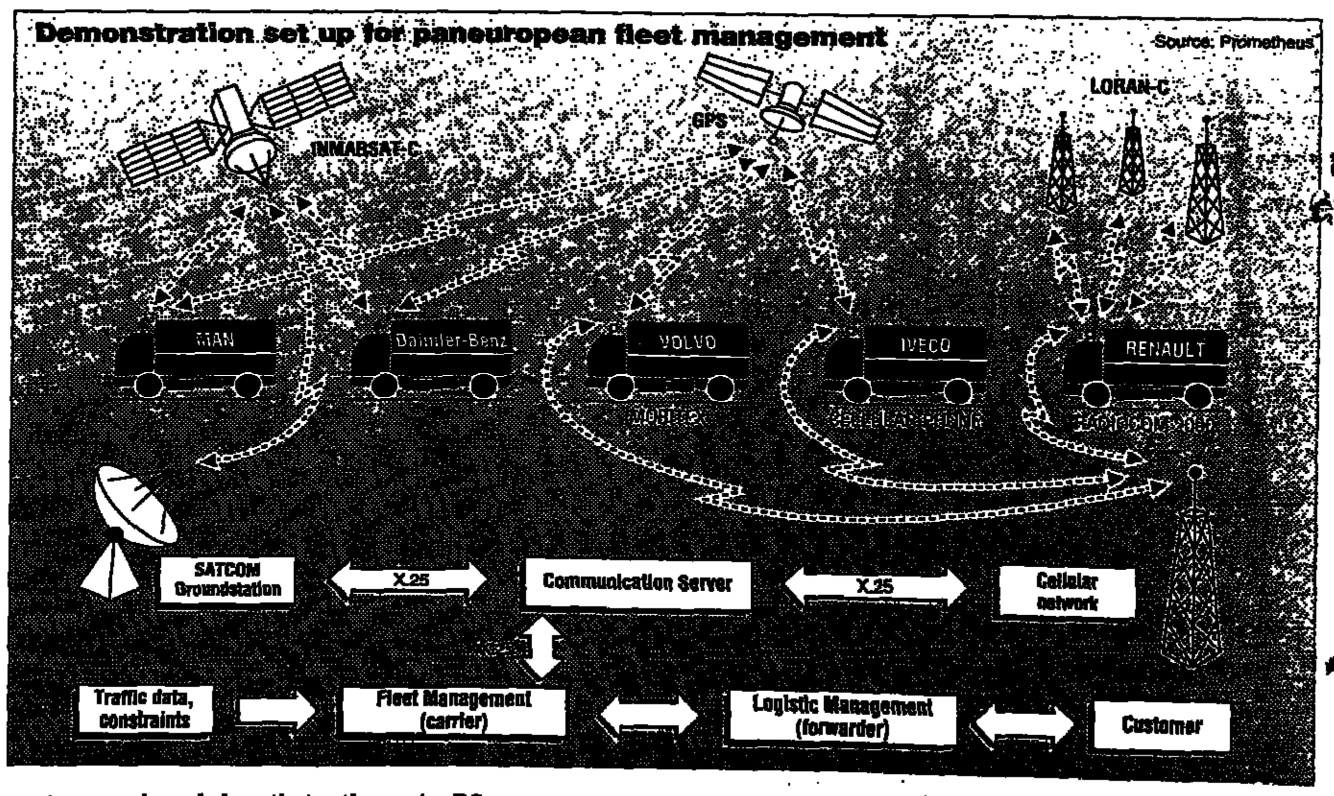
Few within the programme, however, expect this to happen, for Prometheus's spending appears puny in comparison with the sums required under DRIVE, the EC programme for improving transport infrastructure with which Prometheus is complementary.

The programme, which has already developed an Integrated Road Safety, Information and Navigation System (IRIS) plan, outlines the prospect of having to invest up to Ecu15bn in information technology and transport telecommunications alone, within 70 European cities and along Europe's main highways, for an integrated approach to traffic infrastructure to be successful. That excluded the Ecu50bn worth of equipment that would have to be fitted inside vehicles themselves to make use of it.

The consolation, however, is that much of this is likely to be provided by the private sector, investing in both the equipment and the supply of the information services as new market sectors.



Vision enhancement system fitted to a vehicle allows drivers to "see" through fog



VEHICLE FLEET MANAGEMENT 9

Phillip Hastings looks at diesel-engined vehicles

Attractive option

SALES of diesel-engined cars in the UK rose by 9 per cent during 1991 at a time when the rest of the new car market was falling by more than 20 per cent. And they increased their share of that market from 6.4 *per cent in 1990 to 8.8 per cent* last year.

New diesel car sales in 1991 totalled 139,810, more than 11,600 up on the 1990 figure of 128,167, according to the Society of Motor Manufacturers and Traders (SMMT). That growth compared with a 21.74 per cent fall in 1991 total car sales to 1.59m.

Now, say automotive industry sources, the growth in diesel vehicle sales could further accelerate over the next few years if the UK government bows to growing environmental and industry pressures for a reduction in diesel fuel tax to widen the price differential with petrol. "In Britain, diesel fuel is barely cheaper than petrol but the price differentials *in other major European markets* are considerably wider," claims the SMMT.

Taking 1991 prices, the SMMT says that in France, for *instance, a gallon of diesel fuel* after tax was about 70p cheaper than a gallon of petrol. In Holland and Italy it was 83p cheaper and in Germany, 30p cheaper.

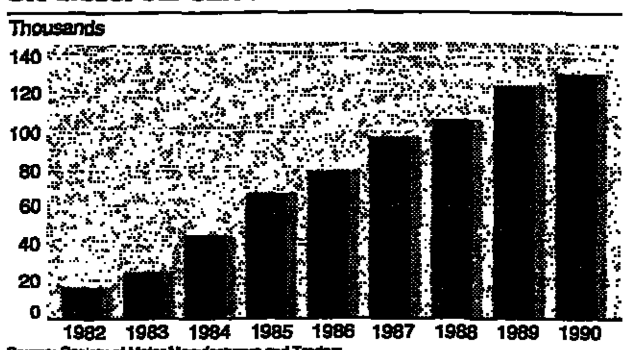
As a result of those price differentials, claims the SMMT, diesel car sales in Continental Europe are proportionately much higher than in Britain. Figures for 1990 showed the diesel share of new car sales in France was 31 per cent, in Germany *11 per cent and in Italy* nearly 7.5 per cent.

Diesel car sales for fleets of more than 25 vehicles accounted for 38,419 in the first 11 months of 1991, an increase of nearly 13 per cent on 1990 at a time when vehicle fleet numbers as a whole fell by 12.5 per cent.

Further evidence of the increasing popularity of diesel-

Geoff Cobley: cautious about wider use for fleet operators

UK diesel car sales



Source: Society of Motor Manufacturers and Traders

engined cars comes from vehicle manufacturer Peugeot Talbot which claims to have three models – the 405, 205 and 309 – in the half dozen top selling diesel cars in Britain.

"Our sales of diesel-engined cars for the first 11 months of 1991 rose by just over 37 per cent on the same months of 1990 to 42,286. That represented 38 per cent of our total 111,585 British car sales in that period," says Heather Yaxley, Peugeot Talbot UK public relations officer.

Peugeot Talbot also saw diesels account for 4,262 (77 per cent) of its total 5,549 UK light commercial vehicle sales in the *1991 period. In the overall UK* British light commercial vehicle market, diesels accounted for 99,772 (67 per cent) of the total 149,155 sales in the first 11 months of 1991.

There are now reckoned to be around 1.25m diesel-engined cars and light vans in the UK *and by the mid-1990s that figure* is expected to top 2m.

The main selling point for diesel cars in the UK has been their lower fuel costs. They have also held their value as used cars. Those advantages still hold good, says Geoff Cobley, managing director of Fleet *Management Services. But he* remains cautious about the wider attractions of diesel-engined cars for fleet operators. "At the moment, we are only recommending diesel-engined cars for very high mileage users – those doing 25,000-30,000 miles a year," he says.

Mr Cobley admits, though, that any change of policy by the UK government to make diesel much cheaper than petrol could result in diesel-en*gined cars becoming a more* attractive proposition for a wider range of fleet operators. Mr Ron Elder, managing director of Avis Lease and Fleet Management, believes the government should also look at "redressing the slightly unfair tax banding situation" in *respect of diesel car engine* capacities. "You generally need a larger capacity diesel engine to deliver the same power as a petrol-driven unit. There should be some adjustment of the tax bands for diesels to reflect that," he says.

Further support for that *argument comes from the Brit*ish Vehicle Rental and Leasing Association which claims in its recently-published 1992 Budget submission that in the context of vehicle taxation "the arbitrary use of engine capacity produces serious anomalies and discriminates unfairly against the diesel-engined car".

The main argument in favour of lowering diesel taxes is an environmental one. The SMMT claims the reduced lev*els of carbon monoxide*, hydrocarbons and oxides of nitrogen resulting from the use of three-way catalytic converters on petrol engines is achieved more naturally by diesel. And, it adds, diesel does not contain lead.

Many car drivers, though, *apparently remain unconvinced* about the environmental merits of diesels. A survey commissioned by BRS Car Lease showed that only 33 per cent of more than 600 company car drivers questioned believed that diesel cars were more environmentally-friendly than leaded-petrol-engined cars, *with that figure falling to 28* per cent in respect of cars using unleaded petrol.

Only 36 per cent of drivers said they would consider choosing a diesel car. Forty-eight per cent said they thought diesels were "too polluting or smelly," with a fur*ther 31 per cent citing noise as* a reason for not choosing one. Surprisingly, adds BRS Car Lease, only one in five drivers were concerned about performance.

"With only one in five drivers stating performance as a reason for not choosing a diesel, it is clear that manufacturers' advertising campaigns have worked well. However, these campaigns have been targeted at showing the improvements in *performance* of diesels and not promoting their environmental advantages," says Paul Bates, general manager of BRS Car Lease.

Particularly significant in terms of the performance improvements cited by Mr Bates has been the introduction of turbo-charging for passenger car applications. Such features add power increases of 25 per cent or more, helping to overcome the "sluggish" image of earlier car diesel engines. Turbo-charging has also been accompanied by improvements to fuel injectors and the combustion system to produce greater engine efficiency and lower emissions.

At the same time, diesel car manufacturers have upgraded vehicle trims and other features to make them more attractive to comfort and image-conscious users.

Further enhancements to *diesel cars are likely to include* the fitting of catalytic converters.

Jack Semple checks the new image of vans

Smarter Cinderellas

LIGHT commercial vehicles have traditionally been the Cinderellas of the motor industry. However, they are quietly and slowly, shaking off the worst of that image, as manufacturers, dealers and fleets *start to take them more seri*ously. The supplier side of the industry appears to be putting its house in order, according to Derek Carpenter, of the Harris Research Centre.

The new Ford Transit

Harris has been doing annual surveys of van operators' satisfaction since the mid-1980s, and found in its latest survey that "overall, operators said the standard of servicing was high, and better than in 1990. However, there are still examples of customers having to wait a very long time for spare parts." Other problem areas highlighted by a generally happy public were quality *of workmanship, and having to* return to the workshop more than once with a recurring fault.

Several manufacturers are doing detailed market studies and using the results much more actively to identify poor dealer performance. Some are using financial rewards and penalties to encourage improvements.

"Either manufacturers are coercing dealers, or the dealers are simply improving their own performance. Although vans are low volume compared with cars, they can be very profitable." Many van customers are reliant on their vehicles, much more so than car users, he notes.

According to Stuart Wright, *light commercial vehicle man*ager at Citroën UK, dealers are coming under increasing pressure from sections of the van market to move away from car-based after-sales support and move more towards what is available in the heavy truck sector, in terms of the style of *maintenance* and *contracts*.

Lorry operators have long been used to a responsive, "open-all-hours" service from their dealers, which has enabled them to get their vehicles serviced at times when they are not needed to carry freight, and repaired at *the roadside urgently. Many* truck dealers' workshops are open 24 hours a day, six days a week or more, contributing significantly to their customers' efficiency.

The influence of the heavy truck market is coming through on a number of fronts, *according to Malcolm Jefferies*, marketing director for Leyland Daf vans and trucks. "More fleets are buying on a professional basis, they are looking at their costs in more detail. A lot of people are looking at vans on a whole life cost basis, who two or three years ago *wouldn't have given it a* thought.

"Out-of-hours servicing is one thing which grows out of that. If the vehicles are working on eight-hour day delivery cycles, one way to reduce the costs of non-productive time off the road is to have the *vehicles* maintained outside normal hours." Fleet managers running vans and trucks and demanding out-of-hours servicing for the heavier vehicles often have exactly the same operating requirements for their vans.

The difference in culture between car and lorry dealers shows up in the Leyland DAF network. While 140 dealers are part of car (mostly Rover) operations, a further 50 joined *after the disposal of Rover's* van and truck companies to DAF in the late 1980s.

Bill Beadnell, chairman of North East Leyland Daf, has two workshops which were more used to catering for hauliers working for chemicals and heavy engineering companies, *than for van operators. After* getting the van franchise, companies like his have been able to offer lcv users with "a level of service most had hardly dreamed about".

Mr Jefferies agrees. "Heavy truck dealers have been able to provide a different type of service." But there are, by necessity, relatively few heavy truck outlets, and many van operators would prefer to deal with a car dealership, than have to walk into a huge truck workshop. The ideal would be a network which combined the best of both worlds, but that is *impossible*, he says.

At a time when there is pressure to reduce workshop hours, the dilemma facing car dealers is how to justify the increase in overheads involved in putting on a second shift in the workshop to cater for van customers needing out-of-hours *servicing. The demand will* rarely be great – more than half the lcv market seems happy to buy after-sales service in the same way as car owners.

There is no evidence that customers would pay more for the service in this recession. *On the contrary they have* been seeking lower labour rates. It seems certain that some fleets seeking out-of-hours *servicing*, will *move* away from franchised garages to independent workshops.

Some manufacturers, who are seeking to expand their lcv activities, are finding that dealers, hit by falling sales and profits, are reluctant to invest in the parts, vehicle lifts and trained personnel needed for a first-class van outlet.

Ford, the clear market leader, is putting pressure – it prefers the term "friendly persuasion" – *on* its car dealers to set up separate sales, parts and service operations for their van business. "Car specialists can't deal in a normal way *with commercial* vehicle requirements. It involves a different product knowledge, everything. It is obviously difficult at present, but we are putting a lot of weight behind commercials."

Another manufacturer commented: "By and large, cus*tomer requirements* will be met. However, dealers would undoubtedly invest more, if it weren't for the recession."

Manufacturers' warranties are improving, however. Toyota and Mazda offer three-year, 60,000-miles cover, typically of interest to small traders, while Leyland DAF now gives two years or 100,000 miles as standard, with a third year option. Ford gives one year, unlimited, while Mercedes gives an optional second year warranty on the driveline.

Meanwhile, Iveco Ford Truck, market leader in goods *vehicles up to the non-heavy* goods vehicle limit of 7.5 tonnes, has introduced the concept of menu pricing along with its new Cargo range of middleweight trucks. The computer-based system is part of a package of measures designed to overcome a long-standing *criticism of truck dealers* – that operators can never be sure of what they will be charged for maintenance work, until they get the bill.

The system seeks to impose the discipline of standard workshop hours, which are common in the car side of the *industry but much less so with* trucks, across a wide range of servicing and repairs.

THE LORRY industry is going through a radical change, due in part to the impact of the recession, but also as a result of a new, strategic offensive by *truck manufacturers*. They aim to broaden substantially their involvement in the market, so that they play a dominant role in the way in which fleets finance, and, subsequently, maintain their vehicles.

The truck companies are setting up their own finance companies to provide operators with everything from basic *hire purchase to full contract hire* packages.

On much of the Continent, the move will allow them to take the lead in the development of contract hire services; in the UK, where contract hire is more developed, it means they will challenge the established giants, such as BRS and Ryder, head-on.

In the UK, the move is also a short-term necessity, to plug the gap left by traditional lenders – the high street banks and finance houses – which have fled the market. Barrie Cload of Volvo Truck Finance (VTF) says these lenders have "lost their shirts" in trucks over the past 18 months.

Volvo was first to develop its own contract-hire and finance arm. In 1988, just 5 per cent of Volvo trucks went on the road with a guaranteed buy-back from VTF; in 1991 the figure was one in four. VTF's receivables total around £70m, and the company says it has not yet reached top gear.

Companies such as ERF, in partnership with Royal Bank of Scotland, and Scania have followed Volvo's lead.

Mercedes-Benz is thought to be planning the most ambitious attack on the contract hire market yet with the formal launch expected in May this year.

Underlying this strategic shift is the desire of manufacturers and their dealers – in many cases wholly-owned – *to retain control of the profit opportu*nities available in selling and servicing lorries throughout the life of the vehicle.

The truck industry is following the example of General Motors in the US car market during the mid to late

Scania Streamline: following Volvo's lead

LORRIES

Geared for change

*1980s. The company was making mini*mal profits from US car manufacturing, but the financing of those vehicles proved highly profitable.

Truck manufacturers will tailor contracts to the realities of transport much more closely than traditional lenders, according to Mr Cload. For example, a haulier may wish to finance *a vehicle over five years, with the pos*sibility of getting out after one year, if he loses the transport contract, and reducing the cost of a repair and maintenance agreement using the part exchange value of traded-in trucks. "These deals are a million light years away from what finance companies were offering. We are to a finance *house what a merchant bank is to the* bank in the high street."

While only a proportion of operators will favour full contract hire, manufacturers will be attacking *in-house* workshops more strongly than they ever have in the past. Pence per mile repair *and maintenance contracts have* become cheaper, partly as a result of commercial pressure to cut rates but also due to increased reliability of the trucks and a long-term drive to bring business back into dealers' workshops. Contract charges will continue to fall, in cash terms, over the next two years, Mr Cload predicts.

They are also available over much longer periods, giving operators fixed maintenance costs for five or more years. In the past three months, Renault has broadened the concept by actively marketing repair and maintenance contracts on used lorries.

Several factors will favour the case for using dealers. Skilled fitters will *become increasingly scarce, and there*fore hard to attract. Electronics on vehicles are becoming increasingly sophisticated, and there will be pressure to invest in expensive diagnostic equipment. Some tasks, for example setting up the air suspension on some Leyland DAF lorries, can be done only by using specialist equipment. As vehicles become more reliable, the convenience benefits of in-house workshops are reduced.

However, British hauliers are proving much more reluctant to part with their workshops than their continental counterparts. UK operations are renowned as the most demanding in Europe, and the rigorous legal requirements for mechanical inspections, typically every six weeks, are unmatched *in Europe. As a result, trucks have to* be in the workshop more often.

Taylors of Martley, a haulier running 100 trucks based near Worcester, is committed to having a workshop at its main depot, but recognises the increasing pressures to stay ahead of dealerships. Unusually, the family-owned firm has persisted with a three-year *apprentice scheme throughout the* 1980s to ensure it has skilled fitters.

"The trend in truck electronics will encourage us to specialise on one make, though," director Stephen Martley says. "Having your own workshops usually only starts to pay dividends in the second half of a vehicle's life, when maintenance costs start ris*ing and niggling faults start to appear.* I doubt if firms with 10-15 trucks will have their own workshops, in future."

Old lorries, unlike, old soldiers, rarely fade away gracefully – either they die suddenly or they cost a fortune in workshop charges.

The arrival of manufacturers alongside contract hire specialist companies *coincides with a classic credit squeeze* on many operators, and intense scrutiny of costs at all companies. There has been such a jolt to business confidence and profits, that many firms will feel reluctant, or unable to buy vehicles and suppliers predict a new surge in demand for contract hire.

Many operators will insist that *in-house operations are still the cheap*est, and the safest in the long term. However, guaranteed fixed-costs for truck fleets has rarely been as attractive an option or as widely available.

Jack Semple

FINANCIAL TIMES SURVEY

CONTRACTED BUSINESS SERVICES

SECTION IV Thursday February 20 1992

Rather than damaging the business support services sector, the recession may have given it a boost. More companies are concentrating on core businesses, contracting out other operations for a better use of capital and personnel, writes **Michael Cassell**

Recession's silver lining

I*NSOLVENCY specialists, it* seems, are not the only breed of business to flourish during recession. The drive within companies to improve efficiency and cut costs without compromising quality has given fresh impetus to a fast-developing sector of the economy.

Call it contracted business services, facilities management or outsourcing, the process by which companies hive off non-core activities to outside specialists is one which was already set to become an everyday part of the vocabulary of modern management.

Pre-recession forecasts suggested that the total business support services sector in Britain could be worth £80bn a year by the year 2000, roughly twice the present estimated level.

Leading players in the business support sector claim that the tough economic situation has concentrated corporate minds to their advantage. Increasingly, companies are tending to concentrate on the business they know best – "sticking to their knitting" as one management guru has described it – while stepping up the search for greater cost-efficiencies.

The resulting, gradual change in management culture, combined with the opening up of new public sector *markets for the support services* companies, has produced a contra-cyclical increase in their business.

Mr Peter Davies, commercial director of BET Contract Services, one of the UK's largest business contracting operations, says conditions are "absolutely booming" as growing numbers of companies wake up to the benefits of utilising professionally managed external support services.

Serco, the international task management contractor, says the recession has led directly to more companies contracting out elements of their business and reports the winning of contracts from big-name clients such as Marks and Spencer, British Aerospace and British Steel.

Drake & Scull Technical Services, the business support arm of Drake & Scull Engineering, recently reached agreement with British Airways to maintain all the airline's buildings, facilities and specialist equipment at Heathrow and Gatwick airports for 10 years. The deal is thought to be one of the largest "total provider" contracts yet signed in the UK.

The potential for facilities management in particular, the area of activity most directly associated with the care and control of physical assets, has recently been highlighted in a study by the Building Services Research and Information Association. BSRIA identified significant prospects for facilities management but concluded that the UK market was still at an early stage in its development.

It added: "The potential is obviously vast. With a typical contract value of between £500,000 and £2m, if only 1 per cent of the 30,000 large industrial, retail and commercial sites in the UK take out a facilities management contract, the market would be worth £300m in the private sector alone."

The growing importance of facilities management is also reflected in the decision of the Confederation of British Industry to join with the Association of Facilities Managers in organising a three-day conference in London which starts next Tuesday. Unlike most trade shows, the event has doubled in size since last year.

As the support services sector grows, so its parameters are expanding. A study conducted by the Henley Centre for Forecasting on behalf of Rank Xerox Business Services, one of the many recent newcomers to the sector, concluded that the phenomena of contracting out security, cleaning and catering will extend to other areas, requiring more highly-skilled managerial capabilities.

There is plenty of evidence that the broadening process is already well under way. A service that was initially property-oriented now extends to most aspects of personnel management, through legal and accounting services to marketing, sales, distribution and information technology systems.

Also, there will be new markets to conquer. The recent sea-change in political thinking has already opened up local government contracts to the disciplines of private sector competition and the process is gathering pace.

The government has now also published its proposals for exposing central government organisations to the same process. Departments will be expected to set annual targets *for putting new areas of activity* out to tender and to publish progress reports.

The new regime has been put to the test and the Treasury says average cost savings of 25 per cent have already been achieved. Savings from contracting out will be ploughed back into improving services.

There will added opportunities still further afield. The European Commission has produced single market proposals for the procurement of 28 identified services by central, regional and local governments throughout the community. The result will be to open up to competition the market for the supply of many business support services.

The logistic difficulties of providing business support services at locations around Europe, however, will be immense, making it likely that those companies wishing to exploit the opportunities offered by the single market will consider expansion by acquisition or joint venture. The process will be a two-way affair.

So why are increasing numbers of companies entrusting critical but peripheral elements of their operations to outside experts? Mr John Kerry, head of outsourcing at Ernst & Young, the management consultants, lists a number of reasons.

They include pressures on costs, skills shortages, variable workload patterns and "management stretch" – spreading management across areas not well understood and, therefore, not effectively managed.

Mr Kerry also cites some reasons why companies have resisted the trend. They may be suspicious of permitting access to outsiders or doubt the ability of contractors to deliver services as required. Another obstacle may be an internal culture which prevents executives from objectively considering why they assume responsibilities that have no impact on their business performance.

According to Mr Kerry, the benefits for corporate converts can be enormous. The process can lead to redefinition and better control over services – even if they are not always contracted out – and can relieve management of daily responsibility for potentially disruptive and possibly complex support services.

Costs can be reduced, although this is not always the case. A more useful result may be greater control of those costs incurred. Used extensively, outsourcing can transform the cost base of a business and substantially reduce the capital investment required for buildings and equipment.

But the process can present major risks unless handled carefully. An overlap of responsibilities between client and contractor can lead to wasted contract work and fractious relationships. Contracts must always be well defined to ensure that there are no misunderstandings over requirements while any contracting out programme predicated on the reduction of marginal costs must be accompanied by an aggressive strategy intended to recover them.

One wider concern centres on the calibre of the new entrants in the contracted services market. Contractors which have traditionally provided only a single support function to companies are expanding their service portfolios but some doubts exist as to their ability to manage multi-service packages.

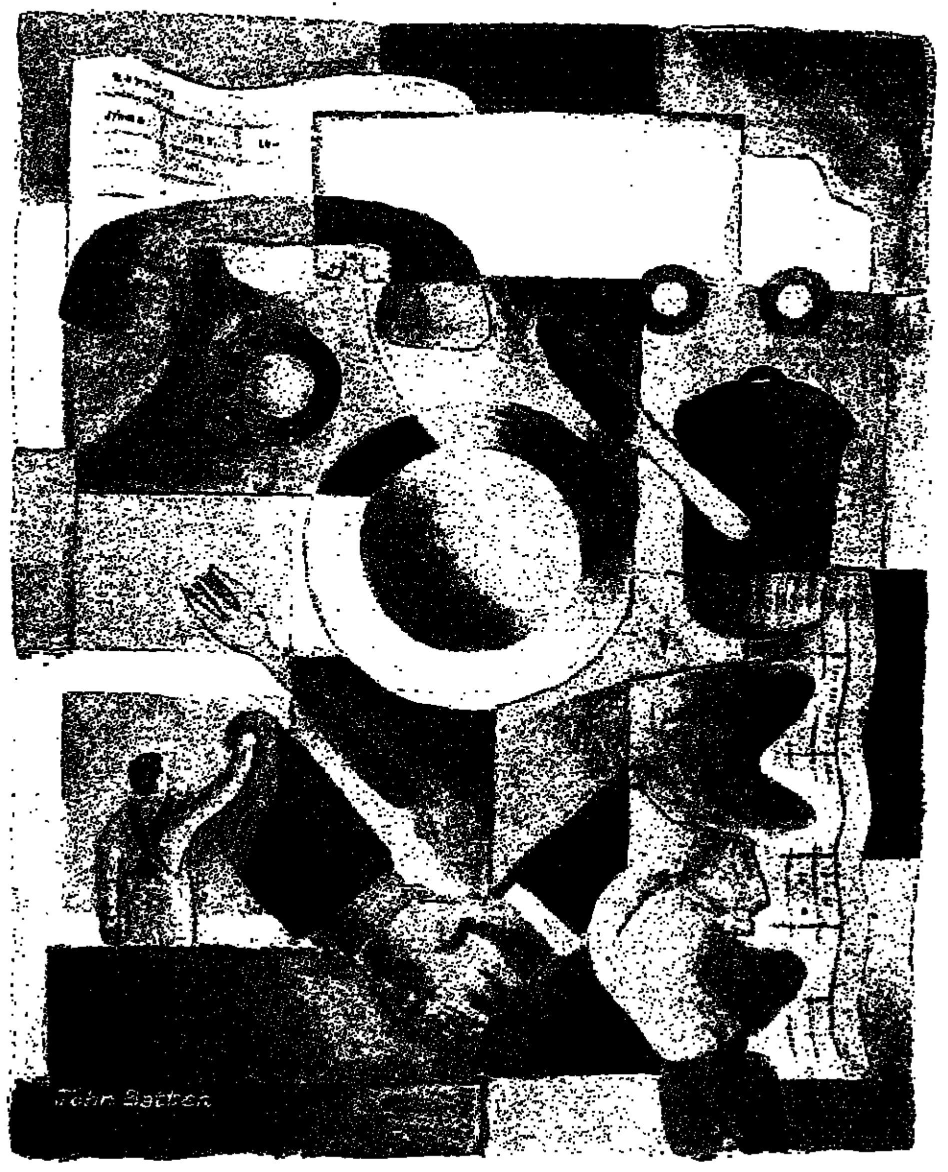
BET's Mr Davies says: "Lots of organisations are coming out of the woodwork, claiming they can provide the full package of support services. While they can subcontract the services they do not have in-house, many simply lack the management skills required and there is a risk they will give the sector a bad name."

Professional management is the key to contracting out, according to Mr Lionel Prodgers, chairman of Facilities and Property Management, one of the new generation of business support specialists which has introduced an award scheme to promote standards of service.

FPM operates on an independent, "front-desk management" basis, installing its own managers within the buildings of clients to be responsible for the provision of all services required. Contractors are constantly monitored to ensure they maintain high standards.

Mr Prodgers says: "Inefficiencies in the provision of services are often brought about by office politics, with individual empires jealously guarded against intrusion from other parts of the business. Managers are more likely to cede some of their responsibilities to an independent contractor than to someone else inside the organisation."

Contracting out, of course, may not always be the answer. A company may be too small or too large, supplier bids may be uncompetitive or the risks of having to change back to internal systems may be regarded as too great. It could be, of course, that everything already runs very smoothly. And as Mr Kerry of Ernst & Young puts it: "If it ain't broke – don't fix it."



IN THIS SURVEY

GOVERNMENT AND THE MARKETPLACE

Challenge of competition reaches the public sector

IT HAS been dubbed a "British disease" but there are signs that a cure is finally on the way.

For most of the post-war period, central and local government in Britain successfully resisted the idea of relinquishing any hold on their extensive responsibilities and handing over elements of the job to the disciplines of the competitive marketplace.

It was a national trait which, in the opinion of such critics as Mr Michael Ivens, director of Aims of Industry, the right-wing pressure group, spawned costs and inefficiencies on a scale which could no longer be tolerated in a modern economy.

According to a paper written by Mr Ivens and published last month by the Centre for Policy Studies, the passion shown by public bodies in Britain for "doing it themselves" has proved unique in the capitalist world.

But public services, he says, have finally had to admit they must learn from private business and can no longer resist the tide of events.

He suggests, for example, that if competition were extended to all general non-medical services in the National Health Service, annual savings could reach £500m. With schools now also able to seek grant-maintained status, handing them responsibility for most of their own budgets, there is potential for education to follow the same route. Others want to go further still.

The issue of introducing the rigours of the free market into the public sector has traditionally provoked an intense political debate which only now appears, gradually, to be giving way to a broader consensus. The era of the citizen's charter has arrived and the major political parties are laying at least as much emphasis on a fair deal for the consumers of public services as on the fate of those who have traditionally provided them.

Recently, Mr John Major, the prime minister, promised a comprehensive plan for buying outside skills into public service. He said he was determined to ensure "there was no hiding place from the challenge of competition for the sloppy or second-rate".

Labour, whose own charter proposals include binding "customer contracts", claims that the local councils it controls, far from representing the worst models of local authority management, are now among the most efficient. It accepts the role of private sector contractors, though it questions their ability to provide high quality services and has threatened to remove the compulsory element to the tendering process.

Whitehall is in for a shake-up ... Management consultants are to be appointed to government departments to help identify opportunities for putting more work out to competitive tender ... A huge, additional customer base is slowly opening up to businesses

But while the political debate continues, the actual process of opening up is well under way.

Over the past 10 years, competitive tendering has created a management revolution in local government, with a range of services having to go out to tender at regular intervals. Though the majority of contracts is still awarded to council workforces, managers have found the threat of contracting-out a powerful argument for improving the efficiency of services.

Last year, the government acted to reinforce moves towards contracting out in local government, publishing a consultation paper on improving arrangements for competitive tendering and for extending the process to some white collar services.

Competitive tendering has also been introduced in all central government departments for services such as cleaning, laundry, maintenance, catering and security, where total spending is around £250m a year. Savings are put at more than 10 per cent.

Until now, however, Whitehall itself has been notable for its failure to subject itself to the competitive regime which it has imposed on local government.

Ministers have looked primarily to the Next Steps programme of executive agencies to deliver improved central government services, but critics see the move as an essentially managerial initiative which still shields civil servants from market pressures.

Mr Graham Mather, general director of the Institute of Economic Affairs, says that while Next Steps has improved the management of the civil service, it has nevertheless protected Whitehall from the challenges and disciplines of competitive tendering which have applied in local government for several years.

Mr Mather, one of the advocates of "government by contract", has gone as far as to suggest that a civil service of 500,000 people could be cut to as few as 10,000, their responsibilities confined to the narrow Whitehall tasks of assisting ministers and supervising the awarding and enforcement of contracts for the remainder of all civil service functions.

Even if his views are unlikely to be implemented fully, a new government initiative means that Whitehall is in for a shake-up. At the end of last year, the government published a white paper entitled "Competing for Quality", intended to increase competition and, hence efficiency, within the civil service.

It proposes the appointment of management consultants to government departments to help identify opportunities for putting more work out to competitive tender.

Beyond the traditional support services which have so far been contracted out, new areas to be considered include: professional and specialist services like accounting and auditing, clerical operations, office services such as records storage and messengers and estate and construction services. A public competition and purchasing unit will be set up in the Treasury to help tenderers with applications.

Though the proposals may meet the same sort of resistance within Whitehall which greeted earlier competitive initiatives directed at the country's town halls, there seems no doubt that a huge, additional customer base is slowly opening up to those businesses who can provide services on a contracted basis.

Organisations like P&O Total Facilities Management, the business support services company, have been quick to capitalise on the potential within the public sector. P&O is negotiating, for example, with West Berkshire Health Authority to take over some of its non-core services. A contract worth over £6m could lead to annual savings in excess of £500,000.

Mr Robin Booker, managing director, believes the opportunities for support services in the public sector are "enormous" and says the culture which dictates the provision of public services is undergoing a revolution. He expects the sector to become increasingly competitive as more providers enter the marketplace.

Mr David Hepworth, marketing director of BET, the business services conglomerate, reckons the public sector will represent a market at least as big as that available in the private corporate sector: "We have been up against long-standing custom and practice which has refused to acknowledge there are better ways of doing things.

"But those attitudes are now shifting throughout the public sector as increasing numbers of clients, always under pressure to stretch resources to the limit, begin to see how much further their money can go if they bring in the private sector".

Michael Cassell
Business Correspondent

WORKPLACE MANAGEMENT

The case for outside help

WHEN THE chairman got stuck in a lift, his company suddenly acquired a facilities manager. When it jammed again, in came a specialist contractor.

Workplace managers enjoy recounting this fable, if only for its punchline. During the second breakdown the chairman became quite chatty with two people in the lift whom he did not recognise. They turned out to be the facilities manager and a maintenance contractor already taken on by the new man.

The message is that many bosses know little and care less about the buildings in which they work. "A recent survey threw up 100 companies where property made up a third of their assets. Yet fewer than half used property management systems," says Mr Ted Watts, president of the Royal Institution of Chartered Surveyors.

Even the more aware may dump the whole task on someone already responsible for an operational department, often the personnel director. And if the lift breaks down often enough to appoint a specialist, he or she will be well down the management hierarchy, expected to keep things ticking over rather than play a part in decision-making.

"That is asking for trouble," says Mr John Jack, a former property director for IBM (UK) now running Procord, his own property management company. "It is essential that facilities managers are brought in early enough and at a high enough level to forecast potential problems."

Mr Watts recalls an office building where, at the first stage of planning, one computer was specified for every 10 desks. A year later, this had changed to one in six and by the time the building was finished there was a screen on every desk. "Facilities managers have to look forward and make allowances for such things," he says. The rate of technological change makes planning all the more important, and often requires the help of outside experts.

A battalion of consultants and contractors now exists purely to take this load off the shoulders of untrained managers and work alongside inhouse specialists. But it took a recession to confirm this role. Companies under pressure to cut costs are taking a new look at accommodation services. Moving is often out of the question: with so much empty new space around, they are unlikely to get rid of existing buildings. So it is a question of making the best of what they have, and that often means calling in outside help.

John Jack: spreading a gospel practised at IBM

"Companies need to concentrate on what they are good at – their core business. But they are entitled to expect a similar level of expertise from contractors," says Mr Jack. He is spreading a gospel practised at IBM, as Procord is effectively a management buyout of the computer giant's property management department. This includes a drastic reduction in space per employee, recognising that many IBM staff are out of the office much of the time.

Setting up workstations accessible from anywhere inside or outside the building has cut space needs by 20 per cent. Consolidation also enabled staff to be moved from high-cost central London buildings, reducing occupancy costs by more than 30 per cent. An energy conservation plan achieved 20 per cent savings within four years.

Energy is a clear-cut cost easily grasped by any chairman, but some figures that contractors can achieve will startle him. Careful planning and monitoring can reduce bills by 30 per cent, says AHS Emstar, the energy management group formed last November when two leading UK contractors merged. It has refurbished the 43-acre Heaton works in Newcastle where NEI Parsons produces turbine generators, switching from oil to gas and installing more than 5km of piping. Savings should reach almost £1.5m over the seven-year maintenance contract, it claims. After paying back the £650,000 capital cost – which AHS Emstar provided – Parsons will pocket a saving of £150,000.

Cost-cutting is not the only pressure forcing consumers to seek specialist advice. New laws spinning out of Westminster and Brussels will severely curtail emissions, forcing reappraisal of energy systems, and facilities managers are already having to tackle increasing red tape. Every item of portable electrical equipment such as typewriters, kettles and screens must be tested; all potentially hazardous substances noted; and cold water systems must be screened for Legionella.

"Training needs to be a very high priority to keep up with all the changes," says Mr Mike McCloskey of Lorne Stewart, part of the BET plant services group. "This is costly and time-consuming. No wonder the building owner/operator is turning to outside help."

Health fears came to the fore following Legionella outbreaks during the 1980s which threatened companies with hefty lawsuits from those struck down – or their surviving families. Then the buildings themselves started to fall sick. Staff complained of rashes, headaches and nausea.

"Two-thirds of the nation's workforce think their productivity would improve if working conditions were raised," says Mr John Astley of support services group Mitie. The worst problem seems to be the quality of air in offices, which was condemned by more than a third of workers questioned in a Gallup poll.

Employers often brush off such claims, particularly when they have just paid a fortune for a new building. But productivity is becoming more important as costs rise, profits disappear and skilled staff drift away from congested city centres. Contractors are finding their hands full creating cleaning and engineering maintenance programmes tailored to individual buildings.

Mr Astley says that package deals more than pay for themselves. "Mitie estimates that multi-service building maintenance contractors can save facilities managers up to 25 per cent compared with in-house operations." Considering that building management costs almost £11.5bn a year in the UK, that is a lot of saving. Add energy management and cost reductions can be as high as 35 per cent, he says.

This is why more companies are moving towards outside contracting. "Facilities management is coming of age," says Mr Jack. "It is still a little way off, but there are encouraging signs such as the development of professional qualifications." In future, contractors will play a more integral role in management, not just cleaning and maintaining existing space but advising whether companies should up sticks and move altogether – then helping plan a new home.

One simple sign may indicate that the sector has attained the respectability of the customers it serves, however. The chairman goes back to using the lift.

David Lawson

CONTRACTED BUSINESS SERVICES 3

IMPACT OF LEGISLATION

New laws mean new business

OVER THE next decade, contracted business services in the broadest sense are destined to grow, partly because of the raft of legislation on environmental and safety standards in Britain and the European Community.

An early impetus for the growth of contracted services came in 1983 when compulsory competitive tendering was introduced in the national health service.

The 1988 Local Government Act extended competitive tendering to many local government services.

The government's current white paper, called "Competing for Quality", envisages the compulsory extension of contracting out to other local authority services provided by lawyers, architects and other professionals.

However, the legislation is making a tortuous path through parliament. But if and when a new local government act covering competitive tendering for professional services is enacted, this will further expand the scope of the contracted business services industry.

Some idea of the size of the industry can be obtained by looking at the Cleaning and Support Services Association. The CSSA's 180 members employ 250,000 people. Some members do go in for catering, but not many.

Few of the CSSA members are involved in building maintenance or what is increasingly being called buildings health. Nor are many involved in professional services. Cleaning and support services are a small part of a large and growing industry.

It is an industry which has been relatively unhurt by the recession. Mr John Hall, director-general of the CSSA, says: "In a perverse way, we have benefited. Companies are concentrating on their core businesses and contracting out marginal services to cut down on staff and costs."

After the recession, further growth can be expected because of legislation on environmental standards, which grew out of heightened public awareness of environmental issues and concern about food safety.

Control of Substances Hazardous to Health (Coshh) regulations came into effect in 1989. The Food Safety Act took effect in 1990 as did the Environmental Protection Act.

Earlier this year the new Code of Practice for the Prevention and Control of Legionella in Water Systems came into operation.

Mr David Pearce, an industrial relations officer at the CSSA, says: "The new laws about environmental standards have meant more business for our members. The larger companies are now offering complete packages covering not just cleaning but also health and safety standards."

Mr Hall says: "There is no question that the laws on environmental protection and safety standards have meant increased business for the more enterprising contracting companies. An important part of our role is to make sure that our members know the latest state of play on standards. Not many of them belong to trade associations any more, so they rely on us to keep up to date. They now have to be up to date on the law if they want the business and generally speaking they are."

Rentokil is an example of a company which has flourished by being aware of the fast-moving legislative background to contracting out services.

It was once best known as a company specialising in dry rot in houses and domestic pest control, but these now account for only 7 per cent of the company's turnover.

It has branched out into industrial cleaning in a big way. It offers a service which will clean walls, floors, girders, fittings and cable conduits, to a standard consistent with hygiene regulations.

It also offers risk assessment for buildings, covering chemical emissions, subsidence and water control. Mr Peter Bateman, of Rentokil, says: "The tightening of standards has generally meant more business for our company. Look at air conditioning, water towers, water supplies, industrial safety – areas which we would not have been involved in a few years ago."

Rentokil's sales have been growing at a rate of 20 per cent for the past five years. Its turnover in 1990 was £305m, half of which was in Britain.

At the other end of the scale in terms of turnover is Environmental Monitoring Services (EMS). This company, which employs 22 people and has a turnover of £1m after six years in business, specialises in monitoring the health of buildings.

John Hall: "In a perverse way, we have benefited"

Mr Rex Barnes, a managing partner of EMS, says: "There is a still a considerable lack of knowledge as to the legal responsibilities for building environment."

His company is involved in all aspects of buildings including the exteriors and the working conditions within.

"There has only recently come an awareness that standards within buildings are important. The legislation is responsible for that."

The rules and regulations will go on being tightened. In addition to the British laws, the EC is considering a number of directives under the general rubric of the 1992 legislation to form an internal market. These will deal specifically with the co-ordination of procedures on the award of public service contracts.

Few British contracting companies have a large involvement in Europe at present, but this should grow in line with the legislation.

Stewart Dalby

SECURITY STAFF

Guards to be qualified

WALK INTO any major US building and you see a uniform – usually attached to a gun. However, it is not just the crime rate that is responsible for this dedication to security. In fact, some US towns are safer than UK inner cities. "Americans are very territorial," explains one former policeman who crossed the Atlantic to study the system. "But they are also very sensible. Staff and customers are easier to attract when they feel safe, whether in a supermarket or an office block."

Two decades of terrorist scares have *left few reception* areas unattended

The UK is moving rapidly along the same path. Two decades of terrorist scares have left few reception areas unattended, although stricter firearms laws preclude shows of extreme force. Managers are also more aware of the treasures held in their buildings. Docks and factories have always been wary of pilfering, yet even an average office block nowadays can hold a fortune in computer technology.

Security means more than a watchful pair of eyes above an intimidating uniform. It involves a wide variety of skills ranging from guard duties to secure storage, computer protection, credit card distribution and even cleaning. "The days of Mrs Mopp have gone," says Mrs Ann Perkins, commercial director of Securicor. "Companies want to be sure the people wandering round their offices at night are trustworthy."

All Securicor staff are now selected through psychometric testing, which reveals characteristics such as reliability and honesty. "It helps us retain staff by filtering out the wrong people," says Mrs Perkins. That helps the clients by ensuring they get a stable workforce.

The price of extra care is small considering the £1bn turnover of this part of the industry, but it is probably more than customers themselves would fork out. Few could stretch to such specialised techniques.

The industry as a whole is encouraging the move towards higher standards. For three years it has worked on a special certificate of competence, a national vocational qualification (or the Scottish equivalent), which should be in place by mid-1992.

One problem with creating a national standard is matching experts as varied as an emergency alarm fitter with an armoured van guard, so two panels were created to handle training on each side of the business, the Security and Emergency Systems Lead Body and the Security Services Lead Body.

The problem of cowboys muddying *the industry's image* may be solved

A dozen companies are currently carrying out trials on the guarding qualification and large customers have already made clear that companies refusing to take part will not get their business. So the long-term problem of cowboy operators muddying the industry's image may at last be solved.

Securicor already runs several training schools, where staff attend residential courses. This attention to skills is important in an industry which covers such a wide spectrum of demands. These range from a small company looking for reception staff to provide a smart and efficient service, through to archiving of high-security documents and software for a major financial or legal group.

The recession has taken its toll of mature markets such as large-scale cash-carrying, but new areas are emerging to help ease the blow. Hospitals, for instance, were made tragically aware of their need for tighter security after assaults on patients and staff. Some schools and colleges could soon be on the agenda as they switch to running their own expenditure. But small businesses are currently the main growth area, partly because the recession has boosted raids but also through an awareness of cash-carrying services tailored to their needs.

Shopkeepers, for instance, need no longer face the choice of storing takings overnight or creeping furtively to the bank with a plastic bag full of cash. "We have recently taken on £2.5m worth of this kind of business," says Mrs Perkins.

Many outlets are now in covered shopping centres, of course, where patrols are almost mandatory to guard the expensive fittings from vandals. Money transfers may be part of a security package contracted out by the mall managers, as can the stocking of cash machines for banks and building societies.

The variety of tasks also means a wide range of charges, and some customers have become increasingly nervous about what they are paying for. Sterling Security, part of the P&O group, has tackled this by investing heavily in software, according to Mr David Evans, its commercial director. "This enables us to monitor the costs of providing a security service to a particular site," he says.

Businesses can now specify levels of pay, hours worked and the type of staff. Instead of being charged the traditional hourly rate, they pay only the direct costs of a contract, plus a management charge.

Mr Peter Hobbs, property manager of Esab, a manufacturing group based in Waltham Cross, says the new service "gives me far more control of expenditure and the terms and conditions of employment of security officers.

"It seemed a good compromise between in-house security and using a contractor on the hourly rate system."

David Lawson

TRAVEL EXPENDITURE

Cost-cutting in the air

THE 1980s was the decade in which business travel got out of hand, says Mr Charles Parry, a senior London-based consultant with Arthur D. Little.

"It was the era in which the airlines competed with each other to pamper the business traveller, making him feel he was in first class when he wasn't, really," he says.

Frequent business travellers and travel agents agree that the last year has been a period of relative austerity. Company employees who need to travel to meet colleagues and customers are still doing so. But their organisations are paying much more attention to how much they spend on their air fares and hotels.

During times of recession, companies frequently contract out services which were previously done in-house – from cleaning to security to data processing. Business travel is different because most organisations have always relied on outside travel agents to make arrangements for their employees. Only the largest organisations have tended to make their own travel bookings.

What companies do during hard times is take a greater interest in the work of their travel agents, urging them to find cheaper airline and hotel bookings for their staff.

Some insiders say that the real change in company attitudes was brought on by the Gulf War rather than by the recession. Senior company executives began to review employees' travel plans. Many started to think about the cost and purpose of business travel in a more systematic way than in the past.

During hard times, companies take *greater interest in* their travel agents

"The Gulf War enabled companies to bring in some legitimate measures to control travel," says Mr Clive Adkin, the director in charge of business travel at Thomas Cook. "Nobody likes to have to toughen up travel policy. In a way, companies hid behind the Gulf War to gain control of travel and many have never gone back to the old ways."

Mr Parry, a frequent traveller, concurs. "It was inevitable that at some stage companies would wake up to the fact that there were essential savings to be made."

The result has not been to stop business people travelling. The increasing volume of business many UK companies are doing in continental Europe means frequent travel is as important as ever. "But what companies are trying to do is insist people travel economy rather than business class," Mr Parry says.

A recent survey by American Express confirms that companies have not abandoned business travel as a result of the Gulf War and the recession. The survey of 2,000 companies in Germany, France, the UK, Switzerland and the Netherlands revealed that spending on business travel and entertainment accounted for 5 to 6 per cent of total company costs and was rising faster than inflation. The average European expenditure per employee was about $2,000, compared to $2,121 in the US.

Although companies are taking a greater interest in what their employees spend on travel, the survey showed that many organisations have yet to appoint senior executives to deal with the issue. Only 40 per cent of the European companies had appointed an executive to handle travel expenditure. Fewer than 60 per cent of the companies had a written policy document dealing with travel.

However, a separate American Express survey of the UK appeared to reveal a determination to cut travel costs. Of the UK companies surveyed, 68 per cent were economising on business travel expenses. They were still allowing employees to travel but examining more carefully whether the trip was really necessary. The survey found that 48 per cent of the UK companies were reducing the number of trips taken by employees and 65 per cent were downgrading the class of travel and hotel.

They were examining more carefully *whether the trip was* really necessary

Michael Skapinker

Leisure Industries Correspondent

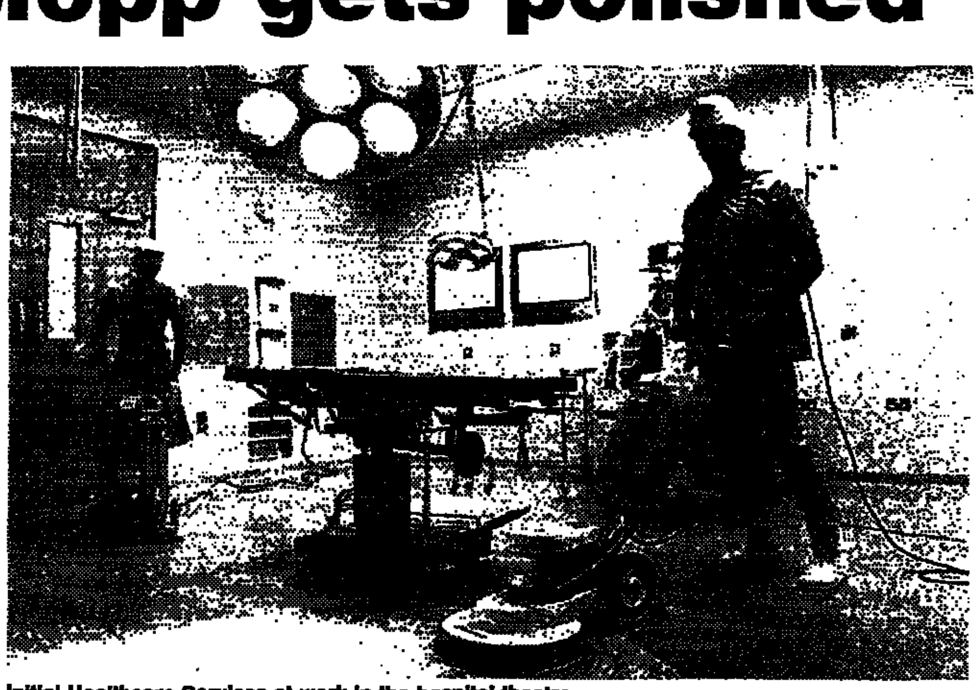
CLEANING SERVICES

Mrs Mopp gets polished

YOU CAN forget the all-enduring image of cleaning – the Mrs Mopp of flowered pinafore and crinkled stocking fame – getting someone else to do the dirty work has become a sophisticated multi-billion pound industry.

Commercial contract cleaning – sometimes thought of as a Cinderella industry – has tried on the glass slipper and it fits, to the tune of being worth £2bn in a private and public sector cleaning market worth £4.3bn.

It also appears to be buttoned up against the chill wind of recession better than most as companies seeking to cut overheads contract out services and it continues to sop up the gravy poured by government's privatisation of the public sector.



Initial Healthcare Services at work in the hospital theatre

The major player is Initial Contract Services – a subsidiary of BET – while other big league names include Office Cleaning Services, ISS Servisystem and RCO Support Services.

The modest capital outlay involved in setting up as a contract cleaner makes it the perfect breeding ground for the entrepreneur and it is believed there are more than 5,000 small businesses throughout the UK.

Not surprisingly the scope of services, like the companies offering them, vary enormously in size and sophistication – from a cleaner armed with a tin of polish and a Hoover to one with the specialist knowledge to clean a hospital operating theatre.

At one end of the scale, services would cover a full-time manager and staff on site responsible for everything from dusting light fittings to degreasing the canteen while at the other there will be a couple of cleaners working a few evenings a week.

Some companies offer frill or luxury services such as sprucing up telephones and office equipment or doing extra cleaning at weekends – it is in this area that the industry appears to have seen some of the recession's effects as clients prune costs by getting back to basics.

However, according to Mr John Hall, director-general of the Cleaning and Support Services Association, whose membership makes up 80 per cent of the industry, the market on the whole is extremely buoyant.

Michael Aldridge: "Steady growth is the order of the day"

Mr Hall says: "Generally speaking there has been increased performance by between 11 and 15 per cent a year over the past five years."

He attributes this to recession-hit companies cutting costs by putting ancillary services out to tender and what he describes as the pro-active government approach – opening up the public sector to market forces.

Compulsory competitive tendering for NHS catering, laundry and domestic services was introduced in 1983 and for local authority services in 1988. Mr Hall estimates that 28 per cent of NHS and 30 per cent of local authority cleaning business is now in the hands of the private sector.

Initial Contract Services claims to be one of the largest providers of contracted out cleaning services to the NHS and local government. Its healthcare services division, according to Ms Jennie Harvey, its director, has an annual revenue of £35m.

"A lot of hospital contracts are still in house at the moment but we have made a few million this year and expect to make a few million next year," says Mr Mark Aldridge, ICS chief executive. "Steady growth is the order of the day in a niche market which demands high quality service."

Ms Harvey explains that hospital cleaning contracts are about controlling infection and not just about tidying up. Her staff not only clean but also carry out patient-related work: that varies from one hospital to another, but covers serving meals, preparing drinks, making beds and changing curtains.

At Office Cleaning Services, Mr Peter Goodliffe, acting managing director, says the company has moved from a standing start two years ago to an annual turnover of £10m in local government and NHS contracts.

"By introducing compulsory competitive tendering, the government opened up an enormous area of business potential," he says. "This sector is the main expanding area in contract cleaning and is three times the size it was 10 years ago."

As the industry expands into more specialist areas, so has training in techniques and the use of chemicals and equipment.

Plans are currently in the pipeline for a new national basic cleaning qualification to be introduced by the end of 1992 and training is now a matter of course for a large number of companies.

Mr Goodliffe says that more than half of his full-time operational staff are currently on in-house training schemes.

"Over the past 10 years there has been a quantum leap in how much training goes on – qualified staff are essential if we are going to compete," he explains.

Janina Walker

The sector is buoyant, reports **Jim Kelly**

The caterers are growing fat

EVEN FOR an industry well known for bucking recessions, contract catering is witnessing remarkable growth, with a 21 per cent increase in outlets, and a 35 per cent increase in meals served since 1988, according to the latest survey by the British Hospitality Association.

The sector boasts a workforce of 90,000 and an annual turnover of £1.4bn; a far cry from its roots half a century ago when the law forced employers with more than 250 staff to provide "wholesome meals at reasonable prices" to boost morale.

Several factors have kept the sector buoyant in the current recession, leading many observers to believe that contract catering is the natural base from which, eventually, "total facility management" will evolve.

While many contract caterers are consolidating their market in the recession and refusing to dilute their expertise and energies by diversification, there is little doubt about the trend for the 1990s.

Gardner Merchant, one of the big three with a turnover of £751m, provides a typical example. In 1991 it took on a contract at BBC Wales' Cardiff headquarters, with a turnover of £1.2m. Nine services are provided within the building: printing, mailroom, catering, ground maintenance, switchboard, porters, and two subcontracts provide maintenance and security.

The trend is bolstered by the sector's current strength. Sutcliffe Catering, also among the big three with a £340m turnover, claims cost savings of 10-20 per cent over client-run contracts and a 10 per cent improvement in uptake. In the depths of recession, these savings are irresistible. Fixed price contracts are on the increase, putting a high risk factor on the caterers, as against the traditional management fee system where the client meets costs.

Government policy on privatisation, the internal market in the health service and reform of education services have all provided spectacular growth. Figures from the British Hospitality Association show a jump from 250 healthcare outlets in 1989-90 to 337 in 1991-92: similar figures for the ministry of defence are 68 and 190; and for state education from 262 to 450.

The Food Safety Act has also played a significant role, placing on employers the need to demonstrate "due diligence" in the event of food poisoning as well as enforcing a code on training, temperature control and storage. Many companies now use contract caterers as a form of insurance.

While contract caterers originally helped boost wartime morale, many companies now employ caterers to enhance company image. Compass, also in the big three with a £265m turnover, found in a survey last July that 46 per cent of respondents saw company catering as a perk, valued more highly than a company car.

Innovative ventures are becoming more common in the sector as is the search to find new markets. Sutcliffe has set up a joint venture with BP Oil at Hemel Hempstead, north of London, using the petroleum company's facilities to provide general catering and a turnover of £100,000. New markets can range in from British Telecom's 600 outlets to the Youth Hostel Association or P&O Ferries.

Diversification is not limited to the big three. Kent-based Russell & Brand, with a 1990 turnover of £7.58m, has picked up 100 contracts in three years and offers a total facility management package including 24-hour close circuit TV security.

Perhaps the real challenge facing the sector as a whole is whether it can protect its market in a post-recession economy.

John Thornhill looks at the distribution trend

Benefits may outweigh risks

CONTRACTING OUT distribution services to third-party operators by both retailers and manufacturers has spawned a thriving logistics industry in the UK. And many specialist distribution companies, such as NFC, Securicor, Christian Salvesen, Hays and United Transport have grown big and clever in the process.

Contracting out has many benefits in terms of creating commercial flexibility and eliminating the need for costly capital investments. But its major potential drawback is that it places an essential business service in the hands of an outside agency.

Nevertheless, many companies clearly believe the benefits outweigh the risks and the move towards contracting out has trundled on. "In the UK there has been no let-up in the trend towards contracting out of transport and warehousing services that has been happening for the past six or seven years," says Mr Raymond Horsley, director-general of the Institute of Logistics and Distribution Management.

One area in which a strong symbiotic partnership has evolved in contracting out distribution services has been the food retailing sector. Working closely with such retailers as J. Sainsbury and Tesco, logistics companies have developed sophisticated distribution skills. Several of them are now touting for business in mainland Europe, offering their know-how to retailing companies which have yet to appreciate the benefits of integrated supply-chain management.

But such contracted-out services, particularly in the food business, require enormous trust. On the one side, the retailer entrusts the logistics company with distributing products in pristine condition in an environment in which late deliveries inevitably result in lost sales. On the other hand, the logistics company has to invest substantial sums to build and operate a warehouse that may have little or no alternative use if the contract is lost.

For both parties, the relationship touches on delicate areas of commercial activity, requiring an open exchange of sensitive information and a shared responsibility for such emotive issues as food safety and hygiene.

One example of such a relationship has been struck up between Waitrose, the supermarket group owned by the John Lewis Partnership, and Hays, the business services company floated on the stock market three years ago.

Hays runs an 80,000 sq ft distribution centre at Theale, in Berkshire, delivering short-life food products to 97 Waitrose supermarkets. It receives goods from 200 suppliers and handles 2,500 chilled product lines and 440,000 cases of products a week, or more than 22m cases a year.

As an example of the longevity of the relationships required, Hays has concluded a 25-year contract with Waitrose to build another distribution site in Milton Keynes.

However, not all are convinced by the virtues of such arrangements. Some retailers, such as T&S Stores, the discount newsagents and convenience stores chain, have retained all their distribution services in-house, believing that the cost advantages of contracting-out are illusory.

Significantly, Tesco has also retained full control over some of its vast distribution centres to provide a measure of security and establish a control against which it can judge its third-party distributors.

Just as in retailing, a revolution has occurred in the distribution arrangements of many manufacturing companies, spurred on by the arrival of Japanese companies, with their just-in-time mentality. Sony and Nissan have built greenfield sites allowing them to benefit from logistics arrangements, providing them with an advantage over indigenous manufacturers.

The Japanese increasingly have been looking to contract out distribution services to the most efficient Japanese distribution companies. That is a prospect that many European logistics companies privately admit fills them with terror.